



**ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS**

**ASSESSMENT OF ENTERPRISE RISK MANAGEMENT PRACTICE;
THE CASE OF ETHIOPIAN INSURANCE CORPORATION**

**BY
SINSHAW DAMENA**

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**ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS**

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Insurance Corporation**

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Addis Ababa University
College of Business and Economics

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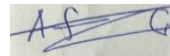


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Declaration of Originality

I hereby declare that this submission is my work towards the Master of Business Leadership prepared under the guidance of Dr. Worku Mekonnen and to the best of my knowledge, it contains no material previously published by another person nor material which has been accepted for the award of any other degree of the university, except where due acknowledgment has been made in the study.



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Endorsement

This Project paper has been submitted to Addis Ababa University College of Business and Economics Department of Business Leadership for examination with my approval as a college advisor.

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Abstract

The objective of this study is to assess how good enterprise risk management practice is properly implemented in EIC and provide possible recommendations for the problems identified. To collect the required data, the study has used primary data collected from management and non-management members of the corporation using structured questionnaire. Moreover, the study has used different related literatures to analyze the findings. To make the study effective and complete, study has used convinient and expert sampling methods. With these techniques 97 management and 64 non-management members were taken as sample. The study also has used descriptive method of data analysis. Accordingly, the study identified that there are some efforts taken by corporation to strengthen its risk management practice. These include high commitment and support from CEO and risk management director. However, the study also recognized that there are limitations on commitment and support of Board and top management members other than the above, lack of integration of ERM to strategy and PMS of the corporation, inadequate risk management process implementation and generally, lack of common understand of ERM in the corporation. Finally, the study has concluded that the extent of ERM practice of EIC is at moderate level. Based on conclusions drawn, some key recommendations are forwarded by the study. These includes that appropriate and extensive ERM training must be regularly given to all Board, top management and other cornered management and non-management members, during strategy formulation ERM must be integration with strategy and PMS of the corporation and adoption of international best practice of ERM framework to increase the effectiveness of ERM practice.

Key Words: *Enterprise Risk Management, Ethiopian Insurance Corporation, effectiveness, COSO, Integration, strategy.*

List of Acronyms

BOM	Board of Management
CEO	Chief Executive Officer
COSO	Committee of Sponsoring Organizations
DCEO	Deputy Chief Executive Officer
DS	Descriptive Statistics
EIC	Ethiopian Insurance Corporation
ERM	Enterprise Risk Management
FD	Frequency Distribution
HR	Human Resource
ICT	Information Communication Technology
ISO	International Standard Organization
IT	Information Technology
NBE	National Bank of Ethiopia
PMS	Performance Management System
SPSS	Statistical Package for Social Sciences
USD	United States Dollar

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

Risk is the possibility of an event or activity having an adverse impact on the corporation, preventing it from achieving organizational objectives. Risk management contains all the activities and actions taken to ensure that organization is aware of the risks it faces, makes informed decisions in managing the identified risks, and identifies and uses potential opportunities. Risk management requires careful consideration of the key concepts like loss minimizing, opportunity maximizing and readiness for uncertainty.

Walker and Shenkir (2008) stated that managing risk is important for successful leadership in today's business world. Leaders must develop procedures like ERM to improve their ability to manage risks effectively. ERM enables organization-wide risk identification and manages a range of risks.

According to Protiviti, (2006) by implementing enterprise risk management, the organizations can improve accountability, improve stakeholder relationships and confidence, develop a learning culture, improve financial management and performance, better resource allocation, improve compliance outcomes and reduce the potential for litigation, improve decision making process, reduce operational costs, etc.

Hence, risk management is becoming an increasingly important part of company operations and stakeholders are becoming more aware and concerned about potential risks that the company is facing. The purpose of risk management is to create a reference outline that will allow the company to handle risk and uncertainty.

EIC is the only public insurance company that was founded in 1976 by proclamation No.68/1975, by taking over all the assets and liabilities of the thirteen nationalized private insurance companies, with Birr 11 million or USD 1.29 million paid-up capital with the objectives to involve in all classes of insurance business in Ethiopia and ensure the insurance services reach all over the country (EIC, 2018).

EIC was operating its business for about 19 years monopolistically as state owned sole insurer. In mid-1991, after the end of Derg regime, a fundamental change has taken place and there was a change in political, economic, and social direction from totalitarianism to that of liberalism. Therefore, EIC was re-established as a public company under proclamation number 201/94 with Birr 61 million or USD 7.13 million paid up capital. Upon reestablishment of the Corporation in 1994 as state owned enterprise, EIC has got new objectives which were to engage in the business of rendering insurance services and to participate in any other related activities favorable to the attainment of its purposes (EIC, 2018).

Currently, the vision of EIC is to become a world-class insurer by the year 2025. Its mission is to provide its customers with an efficient and reliable insurance service and engage in investment activities by deploying the right mix of expertise, the state of the art technology and cost effective strategy. In doing so, it contributes to the sustainable development of the national economy and plays a vigorous role in the insurance industry. EIC's values are being customer focused development partner, excellence, pro-activeness, transparent and accountable, teamwork, professionalism, and learning organization. And its strategic objectives are to increase stakeholders' value, increase profitability, reduce cost, improve customer relationship management, enhance market leadership, improve efficiency and effectiveness, improve the risk management system, improve accessibility, increase insurance awareness, improve product innovation, improve organizational development and improve ICT. In order to achieve the vision, mission, strategic objectives, and maintain and enhance its values by working in a dynamic environment, the corporation faces diverse and complex risks. So, as per NBE's risk management guideline EIC is expected to manage properly the risk it is facing to be successful through the ERM approach.

As an essential part of all decision making processes, EIC's stakeholders need to be conscious of these risks and proactively manage them to increase the likelihood of achieving objectives. To do so, everyone starting from the Board of Management (BOM) to down level employees has pivotal roles to play in their respective work areas through an integrated risk management system. Therefore, this study shows the extent of ERM practice in EIC and how much EIC follow the risk management trends, whether it is familiar with the ERM concept and to what extent EIC practice it.

1.2. Statement of the Problem

Now day's insurance companies are operating in a dynamic business environment marked by rising customer expectations, increasing regulatory requirements, rapid technological innovation, and growing competition. Financial institutions function in a very uncertain situation where conditions can change due to inflation, interest rate variability, financial calamities, competition, government guidance, etc. While making business in this dynamic and complex business environment managing risks is vital for insurers who have implemented or are further developing their ERM systems (Altuntas et al, 2011).

Particularly, following the global financial crisis that was happened in 2008, ERM has attracted much attention from financial institutions. In today's uncertain world of complex and consistent risks, an increasing number of financial institutions, including insurance companies, have implemented or are developing their own ERM scheme. However, according to Hiwot (2017), research conducted on the assessment of risk management practice of insurance companies in Ethiopia, insurers have moderate risk management practice and they are not performing risk identification in an effective manner.

According to NBE's (2010) risk management guideline, the inherent and significant risks of insurers have been well identified. The guideline has also set the role to be played by the board of directors, management, internal control system, and other concerned parties in the process of risk management. The need to frame risk management philosophy, strategies, policies and procedures have also been given due attention. To ensure the safety and soundness of the insurance companies, all insurance companies operating in Ethiopia are required to design their risk management programs in such a way that serves as an appropriate standard to measure and rate their risk management practices which basically focusing on inherent and significant risks.

Accordingly, EIC has corporate objectives that are agreed by the board with the intention of providing insurance service reliably, efficiently and effectively to meet the strategic objectives and stakeholders' needs or expectations. Since 2011 the corporation also has developed an ERM system that is believed to help the achievement of the corporate objectives. As shown in table 1.1, EIC's risk management directorate has been making its effort to identify and report some of the risks that the corporation has been facing.

Table 1.1. Types and Number of Risk Management Reports

Budget Year	Types of risk management reports	Number of reports	Total
2011/12	Assessment of IT Risks	1	4
	Assessment of HRM Risks	1	
	Assessment of Credit Risk	1	
	Assessment of Underwriting Risk	1	
2012/13	Compliance Risk Identification with Particular Emphasis on Policies and Procedures	1	7
	Claims Management Risk Identification	1	
	Reinsurance Risk Identification	1	
	Quarter and Annual Inherent Risk Assessment	4	
2013/14	Quarter and Annual Inherent Risk Assessment	4	9
	Motor Claims Reserve Risk Assessment	1	
	Motor Claims Handling Risk Assessment	1	
	Regulatory and Legislative Compliance Risk Assessment	1	
	Credit Risk Assessment on Bond Insurance	1	
	Corruption Risk Assessment	1	
2014/15	Quarter and Annual Inherent Risk Assessment	4	5
	Assessment of EIC vulnerability to Risk of Corruption	1	
2015/16	Quarter and Annual Inherent Risk Assessment	4	4
2016/17	Quarter and Annual Inherent Risk Assessment	4	4
2017/18	Quarter and Annual Inherent Risk Assessment	4	6
	Overview of Risk Assessment on the possible effects of currency devaluation and Rising of Interest Rate on Insurance Companies	1	
	AML/CFT Risk Assessment	1	
2018/19	Quarter and Annual Inherent Risk Assessment	4	16
	Risk Assessment on New Product Development	3	
	Risk Assessment on Revised Product Development	8	
	Compliance Risk Assessment	1	

Source: EIC, Risk Management Directorate, 2020

However, the practice of risk management indicates that EIC is operating just to meet the minimum requirements expected rather than fully and efficiently implement enterprise risk management systems across the corporations so that it can get the benefit of effective and efficient ERM. Because risk management is not one-time work and should be a continuous process conducted regularly and repeatedly to show the level of risks and the degree of risk mitigation effectiveness. But only the quarter and annual inherent risk assessment have been conducted on regular bases. The remaining risks so far identified and reported were not seen

again after the risk mitigation actions are taken. Therefore, it is important to investigate why ERM is not implemented in a way it was expected to be in EIC.

Currently, there are limited researches conducted on risk management practice that shows whether or not the existing insurance companies are implementing an effective and efficient risk management system. For instance, Kokeb and Gemechu (2016) as cited in Hiwot (2017) conduct their research on risk management technique and financial performance of insurance companies by investigating the existence of the relationship between risk management technique and financial performance. The finding of the study shows there exist a relationship and recommends the insurance companies to apply risk management techniques effectively to improve on their return on equity and reducing loss ratios. However, there is no research conducted on the practice of ERM on EIC indicating success or failure.

Therefore, the main concern of this study is to assess to what extent EIC is implementing ERM practice and follows NBE risk management guidelines and the COSO ERM framework as the best international practices.

1.3. Research Questions

- To what extent ERM is integrated with the Strategy and Performance of EIC?
- To what extent BOMs and top management are committed and supportive of ERM?
- To what extent the Risk Management Process is properly conducted?
- What benefit EIC is getting from ERM implementation?

1.4. Objectives of the study

1.4.1. General objective

The general objective of this study is to assess how well the level of ERM practice is properly conducted in EIC and provide possible recommendations for the problems identified.

1.4.2. Specific objectives

- Assess the extent of ERM integration with strategy and performance.
- Assess the level of BOMs and top management commitment and support to ERM.
- Assess the risk management process implementation.
- Assess the benefits EIC is getting from ERM implementation.

1.5. Scope of the Study

The study is conducted on EIC and tried to see the extent of risk management process application which includes risk identification, assessment, risk treatment, monitoring and review, and communications. In addition, the study looked at the benefits of ERM, integration of risk management with strategy and performance management as well as the board and top management support the effort to ERM. The sources of information for the study were all level of management members and other officers of EIC located in Addis Ababa and other regions of the country.

1.6. Significance of the study

The findings and recommendations of this study could serve as an input and be information for several stakeholders and concerned bodies including EIC and regulatory bodies in the country. It could also give a general insight into the academic & professional society regarding enterprise risk management aspects. Additionally, this study offers some practical messages for all the stakeholders who are responsible to solve the unsolved and challenging issues identified in this study and applicable in other similar organizations.

1.7. Organization of the paper

The organization of this research paper has five chapters. The first chapter elaborates on the background of the study, statement of the problem, research question, objectives, significance, and scope of the study. While the second chapter reviews relevant literature related to the concepts and theories of enterprise risk management that are appropriate and relevant to the study. The third chapter presents all about the type of research and the methods which are used in the study which include the sources of data, methods of data gatherings, techniques of data analyzing, and presentation. The fourth chapter provides the findings of the study about

enterprise risk management practices of Ethiopian Insurance Company and actual data that is gathered from the Company. The fifth chapter which is the last chapter presents the topic which includes a summary of findings, conclusions, and possible recommendations. In addition to these future research directions and limitations have been presented in this chapter.

1.8. Definition of Key Terms

All the following definitions of key terms are accesses from University of Illinois System (2020) ERM glossary.

- **Impact:** result or effect of an event. The impact of an event can be positive or negative relative to the entity's related objectives.
- **Risk:** the possibility of an event or activity having adverse impact on the corporation, preventing it from achieving organizational objectives.
- **Inherent risk:** the risk to an organization in the absence of any actions management might take to alter either the risk's likelihood or impact.
- **Integrated risk management:** is a continuous, proactive, and systematic process to understand, manage, and communicate risk from an organization wide perspective.
- **Likelihood:** the possibility that a given event will occur.
- **Residual risk:** the remaining risk after management has taken action to alter the risk's likelihood or impact.
- **Risk analysis:** identifying, describing and estimating risks, and developing a risk profile.
- **Risk appetite:** an organization's tolerance for risk. The amount of risk an organization is willing to accept in pursuit of realizing its mission and vision.
- **Risk assessment:** the process of determining the impact of an identified risk on the corporation. Risks are assessed on an inherent and residual basis.
- **Risk evaluation:** the process of comparing the results of risk estimation to established criteria for the purpose of determining the significance of risks and whether to accept them or treat them.
- **Risk identification:** the initial risk management step to identify the firm's exposure to risk that potentially can impact the achievement of objectives.

- **Risk management:** is a systematic approach to setting the best course of action under uncertainty by identifying, assessing, understanding, acting on, and communicating risk issues.
- **Risk mitigation:** actions which reduce a risk or its consequences.
- **Risk owner:** is the person who has responsibility for designing, implementing and monitoring risk treatments for a particular risk.
- **Risk prioritization:** the ranking of material risks on an appropriate scale, such as frequency and/or severity.
- **Risk response:** is the process of developing strategic options, and determining actions, to enhance opportunities and reduce threats.
- **Risk tolerance:** is the amount of risk an organization is prepared to accept in total or more narrowly within a certain business unit, a particular risk category or for a specific initiative
- **Risk treatment:** the process of selecting and implementing measures to modify the risk.

CHAPTER TWO

LITERATURE REVIEW

2.1. Introduction

A literature review is an important part of a research study as it accomplishes several issues. According to Creswell J. (2009), the literature review shows what works of literature say about the subject under consideration, what other studies reveal, or failed to reveal regarding the subject by filling in gaps and extending prior studies. In this chapter both theoretical and empirical literature related to ERM are reviewed. The theoretical literature presents theories of risk management which include definitions and concepts ERM framework in which the practice of ERM is developed while the empirical literature review presents some previous research findings which are more related to this study.

2.2. Theoretical Literature Review

2.2.1. What is Risk?

Different definitions of risk have been given by different authors. In ancient times the term ‘Risk’ refers to the situation where there is the possibility of something bad happenings (Kate Woodford, et al, 2003). As per Oxford English Dictionary risk is a chance or possibility of danger, loss, injury, or other adverse consequences. These two definitions show that the former understanding of risk more emphasizes the negative part only. However, currently taking risks can also result in a positive outcome (Paul Hopkin, 2010). Hence, the risk is an event that was not only negative but also positive outcomes might happen. Risk is something which could:

- have an impact by not taking opportunities or not capitalizing on the organization’s strengths,
- prevent or hinder the achievement of the objectives,
- cause financial disadvantage, i.e. additional costs or loss of money or assets; or
- result in damage to or loss of an opportunity to enhance the reputation

2.2.2. Enterprise risk management

Different works of literature have given different definitions of enterprise risk management.

- ERM is a process, effected by the entity's board of directors, management, and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within the risk appetite, to provide reasonable assurance regarding the achievement of objectives. (COSO, 2004)
- ERM is coordinated activities to direct and control an organization concerning risk. (ISO 31000, 2009)
- ERM is a plan-based business strategy that aims to identify, assess, and prepare for any dangers, hazards, and other potentials for disaster—both physical and figurative that may interfere with an organization's operations and objectives. (<https://www.investopedia.com>)
- ERM is management processes that require firm management to identify and assess the collective risk that affects firm value and apply an enterprise-wide strategy to manage those risks to establish an effective risk management strategy (Meulbroek, 2002).

2.2.3. Benefits of Effective Enterprise Risk Management

It is important for organizations to set strategy and periodically adjust to the dynamic business environment and be aware of both the challenges and opportunities in pursuit of creating value. So, organizations need the best and appropriate ERM framework for optimal strategy and performance.

If organizations implement effective ERM they can realize many benefits, including, though not limited to:

- Increase the range of opportunities by considering all possibilities, both threats and opportunities of risk.
- Identify and manage risk organization wide.
- Increase positive outcomes and advantage while reducing negative surprises
- Reduce performance variability
- Improve resource deployment
- Enhance enterprise resilience

According to Paul and William (2008), managing risk is imperative for successful leadership in today's business world. Leaders also need to develop ERM processes to improve their ability of managing risks in an effective manner. ERM enables organization wide risk identification and management.

These benefits indicate that risk should not be regarded exclusively as a possible constraint to setting and carrying out a strategy but also regarded as strategic opportunities and crucial differentiating capabilities.

2.2.4. ERM Integration with Strategy and Performance

According to COSO (2017), integrating ERM with the strategy and performance of the organizations gives a good framework that enables boards and management to manage the organization in all directions. It shapes the extent of risk management that exists in the normal course of business operation. Further, it establishes how integrating ERM practices throughout an organization helps to increase growth and improve performance. (Murray and Webster, 2010)

2.2.5. Board and Top Management Commitment and Support to ERM

As it is stated in COSO's definition of ERM, the board plays an important role in overseeing how management approaches organization-wide risk management. This is because management is accountable to the BODs, the board's focus on effective risk oversight is important to set the tone and culture towards ERM through strategy setting, high-level objectives formulation, and approval of resource allocations.

Hence, the board needs to have a better understanding of the strategies and objectives of the organization to effectively oversee risks. According to COSO's ERM framework, there are four areas where the board can work with management to provide appropriate risk oversight related to those strategies and objectives. These key responsibilities of the board and the support needed from senior executives and others throughout the organization to strengthen risk management in all types of organizations include:

➤ *Discussing risk management philosophy and risk appetite of the organization.*

Every company encounters risks in quest of their goals, whether in the long term or short term.

Due to this, the board has a vital role in articulating a sense of their risk management philosophy and their risk appetite or willingness to accept risks, especially those risks that could go outside the norm for the business and industry. Because BOM represents the views and desires of the company's key stakeholders, a critical starting point for risk management is for the board and management to develop a common thought of the company's risk management philosophy and overall risk appetite while establishing company strategies and objectives.

➤ ***Understanding ERM practices.***

According to COSO framework, the organization's existing risk management processes can be reviewed by the board and management can then challenge management to determine the risk management process effectiveness in identifying, assessing, and managing the organization's most significant risk exposures likely to affect the achievement of the organization's objectives.

➤ ***Reviewing the portfolio of risks in relation to risk appetite.***

To make effective risk oversight the board needs to have the ability to understand and assess the interface of the Organization's strategies and objectives with key risk exposures to see whether those exposures are within the stakeholder's overall risk appetite. It is the board that integrates strategy and operational initiatives with organization-wide risk exposures.

➤ ***Apprising the most significant risks and related risk treatment options.***

Organizations continually face risks while they struggle to achieve their objectives, creating a high demand for robust risk information. At all levels of the organization, regularly updating by management in risk indicators that are linked to objectives is important to enhance board oversight of major risk exposures to reserve and improve stakeholders' value.

Similar to COSO's framework, the NBE risk management directive also articulated that it the board of an insurance company that has the ultimate responsibility for the overall company's risk management policies and practices. The responsibilities of the board include;

- Suitable risk management programs development and implementation,
- Ensuring the adequacy, comprehensiveness, and practicability of risk management programs subject to board oversight,

- Ensuring that risk management programs are used to identify inherent and significant risks of the organization and significant risks are appropriately managed through monitoring and reviews reports,
- Appraising the quality and competency of management appointed to manage policies of risk management,
- Confirm the operations of the company's risk management policies and procedures are regularly reviewed through audit function and ensure adequate risk management processes are in place,
- Periodically review management reports indicating compliance with the risk management policies.

In addition to the board, the NBE risk management directive has set the responsibilities of management in insurance companies. Their responsibilities include;

- Developing risk management philosophy, policy and procedure and endorsing for approval by the board,
- Executing the risk management program based on pre-established procedure,
- Make sure that company risks are managed and appropriately controlled in accordance with the applicable management program,
- Ensuring the appropriate reporting systems are developed and implemented to allow effective risk management,
- Make sure the operation of the risk management program is regularly reviewed by audit function,
- ensure timely dissemination of policies and procedures and other management information to all internal and external stakeholders involved in the process by developing the right lines of communication; and
- Regularly and comprehensively reporting the management program to the board.

2.2.6. COSO's Enterprise Risk Management Framework

COSO was founded in the 1980s having at the beginning the objective of promoting research into the causes of fraudulent financial reporting. But currently, its mission is to give guidance on ERM and take a leadership position by developing wide-ranging frameworks and guidance on ERM, internal control, and fraud detection designed to improve organizational governance and performance and minimize the level of fraud in organizations.

COSO's guidance is used to have better frameworks that enable the organization's risk management and internal control systems can be properly assessed and enhanced. Particularly, best ERM and internal control guidance are important where there are insufficient risk management and internal control resulting in business scandals.

The ERM model

Although it has criticized, COSO's ERM model is one of the most widely acknowledged ERM frameworks for organizations and can be used in different business environments in the world.

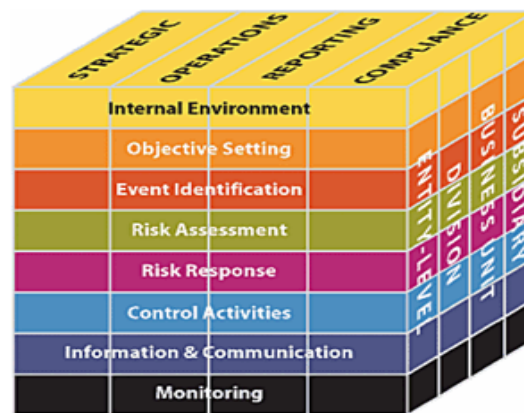


Figure 2.1. COSO's ERM Model

As shown in the above figure, the ERM model in the form of a cube demonstrates the links between objectives that are shown on the top and the eight components of risk management processes shown on the front, which represent what is required to achieve the stated objectives. The 3rd dimension denotes the organization's units, which shows the ability of the model to focus on overall parts of the organization. The model has eight components listed which are below:

1. Internal Environment

This component indicates that before risk identification is conducted first of all there must be tone from the board and established risk appetite, willingness towards effective risk management. Accordingly, even though the company's tone is ultimately set by the board the board needs to have appropriate knowledge and experience used to set the right tone. In addition to the board, the working committees like the risk committee and Audit committee established by the board can also make a significant contribution to board tone.

In this regard, this model criticized due to its negligence to the external environment that includes the impacts of the competition, regulation, and external stakeholders on risk appetite and risk management and risk culture of the organization and gives focus only to the internal environment.

2. Objective setting

It is the responsibility of the board to ensure organizational objectives are set to support the organization's mission and consistent with risk appetite. To execute this responsibility of objectives setting in an effective manner, the board also needs to be aware of the risks associated with different objectives. In addition, the board also needs to consider risk appetite and take a high-level risk the organization is willing to accept and the board should consider control systems.

3. Event identification

It is mandatory to identify internal plus external events that affect the achievement of the organization's objectives.

According to COSOs guidance events having a negative impact that represent risks and events having a positive impact that are opportunities, which should feedback to strategy setting should be properly identified using different risk identification methods.

The ERM has been criticized for discussing risks primarily in terms of events, particularly sudden events with major impacts. Critics show that the guidance insufficiently emphasizes slow changes that can give rise to important risks.

4. Risk assessment

The probability and impact of risks are assessed to determine how to manage them. And to map the probability and impact of individual risks, managers also need to consider how individual risks are interrelated. At this stage, using a mixture of qualitative and quantitative risk assessment methodologies is very important. And assessing inherent risk levels, the organization should also focus on residual risks left after risk mitigation actions have been taken.

The model is criticized for encouraging an oversimplified approach to risk assessment and encourages an approach that views the materialization of risk as a single outcome that could be an expected outcome or it could be a worst-case.

5. Risk Treatment

The option of risk response could be to reduce, accept, transfer or avoid the risks but the risk responses need to be realistic, taking into account the associated costs of responding and the impact of risk. It is the management's responsibility to select appropriate response actions and to align risks with risk tolerance and risk appetite level. Organizational portfolio management and diversification will be best implemented at the organizational level and the COSO guidance focuses on the importance of taking a portfolio view of risk.

It is also important to know that risk responses are affected by the organization's environment. For example, highly regulated organizations will face more complex risk responses than less regulated organizations. According to COSO's guidance, it is good to use an appropriate mix of controls will be, including prevention and detection and manual and automated controls.

6. Control activities

After the policies and procedures for controls and risk responses are designed and in place, it is important to check if it is properly operating to ensure that risk responses are effective. COSO also has complemented the model by guidance in the 'Internal Control-Integrated Framework' that controls are means to an end and are affected by people. Because the human element is so important to know that various of the reasons why controls fail is because of problems with how managers and employees utilize controls which include failing to operate controls negligence, mistakes, collusion between staff or management telling staff to override controls. Therefore, segregation of duties is important to reduce the possibility of a single person being able to act fraudulently and to increase the possibility of errors being found. In addition to this, it is important for controls to be performed across all levels of the organization, at different stages within business processes.

7. Information and communication

Having the best information systems ensure that data is timely identified, captured, and communicated in a structured way so that managers and employees are able to carry out their responsibilities.

Always, decision-makers need to have quality, relevant, and timely information relevant. Staff needs to be communicated risk areas that are relevant to what staff to strengthen the internal environment by embedding risk awareness in staff's thinking.

8. Monitoring

If it is necessary the management system should be monitored and modified. In 2009, COSO has added specific guidance on monitoring internal controls. Accordingly, weaknesses should be reported, assessed, and their root causes corrected. The separate audit committee and internal audit department play a key role in monitoring.

2.2.7. Enterprise Risk Management Failures

According to COSO (2014), organizations need look at all possible situations when enterprise risk management could be failed and identified 5 common reasons of risk management failures in line with warning signs categorized into process indicators, organizational indicators and behavioral indicators. These include;

- Poor tone and governance of the organization
- Reckless risk taking
- Inability to implement ERM
- Nonexistent, ineffective and /or inefficient risk assessment
- Not integrating ERM with strategy setting and PMS

1. Poor Governance and Tone of the Organization

COSO (2014) defined governance as the process of providing oversight, authoritative direction or control. The term refers to the role played by board and top management to oversee the organization's planning and operations and make certain the success of strategy setting and other management processes.

The tone of top management foundation for the commitment, transparency, and accountability of continuous performance improvement that is essential for an effectiveness of enterprise risk

management. But also the tone from top management must be supplemented with an effective tone from the middle management.

Some of the failure indicators in this regard include:

Organizational level indicators:

- Ineffective and inefficient leadership and risk governance,
- Failure of the board to adequately oversight organization risks.

Process level indicators:

- Failure of management to explicitly consider enterprise risk while evaluating and setting alternative strategies to enter new markets, introduce new products, etc.
- Failure to share and communicate risk information in all directions (up, down and across) of the organization.

Behavioral level indicators:

- A narrow-minded focus on the short term causing the organization to mortgage the future for the present when taking risks.
- Dominant top management or CEO overlooking key risk indicators and resist bad risk information to include in strategic and policy issues on time.
- Setting strategies that are impossible to meet, overstretched performance objectives, idealistic plans, inexperienced executive and unnatural internal competition creating that lead to excessive risk taking.

2. Reckless or Unnatural Risk Taking

As stated in COSO (2014) unnatural risk taking is a value killer that is characterized by risk taking without having an adequate understanding of risks. The Board and top management neither recognize nor approve the risk taken. It is quite sure that competent people are an important part of enterprise risk management but management's trust in them without restrictions, checks, and balances and without independent monitoring and reporting is considered as foolish as not understanding the inherent risks that the organization is facing.

The key indicators of such problem include:

Organizational level indicators:

- Insufficient risk oversight by the board.

- Lack of business leaders and process owners' accountability to manage the risks they face, so risk owners are not primary managing risk from its roots.
- Absences of independent ERM department used to regularly oversight risk.
- Absence of internal audit to ensure the efficiency of the first two lines of defense – the risk owners and the independent ERM department.

Process level indicators:

- Absence of predefined risk appetite level and lack of assurance that risks are taken in line with risk appetite.
- Absence of efforts to apply constraint analysis to the critical assumptions underlying the strategy so that trending and other risk indicators can be monitored to determine whether one or more critical assumptions are either becoming invalid or have become invalid.

Behavioral level indicators:

- Inappropriate risk taking derived from an organization's compensation structure and culture leading to unintended impacts.
- Absence of linkage between the responsibility of risk management and reward system,
- Groupthink, due to the smartest people dominating in the discussion room.
- Complex and volatile conflicts of interest difficult to manage.

3. Inability to implement ERM

Organizations may not be able to implement ERM due to several reasons such as resource constraints. The most common indicators of such failure include:

Organizational level indicators:

- Lack of support and care to ERM from executive management and other key stakeholders
- Neither organization wide nor strategic focus of ERM initiative in scope.
- Overemphasis due to aggregation of various risks management silos combined creates an ERM response.

Process level indicators:

- Absence of risk management policy,
- Not emphasizing ERM principles in the risk management policy,
- Lack of focus on the most important and few risks that matter to capitalize on emerging risks and market opportunities.

Behavioral level indicators:

- Absence of clarity as to the motivation and economic explanation for ERM, e.g., understanding “the problem we’re trying to solve with ERM,” leading to endless dialogue about the “what” and “why.”
- Inability to respond in an acceptable manner to the Board to such questions as what are our most acute risks? How well are we managing them and how do we know?
- Unwillingness to start somewhere to ensure an effective ERM.

4. Nonexistent, ineffective or inefficient risk assessment

Such disappointment is caused due to inefficient risk assessment identifying critical risks in an effective and efficient manner. Some key pointers of such disappointment include:

Organizational level indicators:

- Existence of plentiful risk management activities that lead to significant risks unnoticed.
- Existence of multiple risk assessment requests leading to vicious encircles risk management process and functional owners

Process indicators:

- Absence of risk assessment process involving all required stakeholders and not reporting the results of risk assessment to the board to obtain input.
- A low frequency of (rare) risk assessment reports leading to uninformed decision making.
- Lack of adequate focus to help managers think about what they don’t know.

Behavioral level indicators:

- Working only to meet the minimum ERM practice requirement contributing little.
- Subjective risk assessments inclined by experience.

5. Lack of ERM integrating with the Strategy and PMS

According to COSO (2014), this failure happens when risk is treated as an afterthought to strategy setting, resulting in strategic objectives that may be unrealistic and enterprise risk management becoming an addition to performance management. The results of such failure include the inability to deliver strategy, incompetency, and inability to adapt to a changing environment and a loss of value and loss of reputation. Some of the key indicators of this problem include:

Organizational level indicators:

- Inefficient implementation method ERM integration with strategic planning and PMS.

Process level indicators:

- Absence of inherent risk identification, sourcing and mitigation in the organization's strategy.
- Absence of focus to the risk of major changes affecting the business.
- Absence of transparency about key risks affecting the company's operations.
- Lack of strong integration of risk management to core business management processes.
- Weak alignment of risk responses with strategy and PMS.
- Lack of organization wide strategy and interrelated risk treatment options communication system.

Behavioral level indicators:

- Risk management is stated on paper rather than implementing practically.
- Existence of unacceptable level risk taking and/or unnecessary risk adverse measures.

2.3. Empirical Literature Review

2.3.1. Critical Success Factors for Effective ERM

a) Commitment and support from top management

According to Ifinedo (2008) examination of the impact of contingency factors such as the vision of the organization business, and external capability and top management support influences the success level of the organizational system.

Zwikael (2008) also contends that the very importance of top management tone is taken as among the critical success factors for project management. It is also significant to stress effective top management support for different project scenarios. The supports that top management provides include broad level accomplishments in an organization, including developing project procedures that include the initiation stage, training programs, establishing a project management office, support quality management, etc.

Young and Jordan (2008) suggest that the essence of top management support related to informed decision making to manage enterprise risk and to authorize business process change. A successful project requires top management support, the benefit of which is related to enhancing decision making to manage risk. Senior management responds to business processes and manages risk. The successful response of risk is contingent upon commitment and support from top management.

Furthermore, according to Hasanali (2002) commitment and support of top management plays an important role in promoting success in almost any initiative within an organization. Top management framed and decides objectives and strategies for organizational risk management activities, mission, and overall objectives (Henriksen and Uhlenfeldt, 2006).

An organization uses risk management to reduce the probability of a negative impact and that risk management needs top-level management support. ERM needs the byline that risk is a reality and the commitment to identify and proper risk management (Galorath, 2006).

These concepts refer to the need for support and consent from top management for risk management. The essence of commitment and support from top management helps the effective

and sound decision-making process in order to manage risk. In every kind of management, commitment, and support from top management are important implying that it is an important factor for risk management.

b) Communication

Many organizations accept the importance of good communication. Different employees have different views and their discussion will result in different conclusions. They simply want to get a clear message across and discussion may be an appropriate channel to deliver messages. On the other hand, employees may demand that top management discuss plans with staff. Internal communication should support business strategy and increase business processes as well as performance (Quirke, 1996).

For leaders and top-level management, communication is one important skill. The effective leader or managers who are good at communication can develop clear mutual expectations, objectives, and goals. Communication ensures that the team members understand and support not only where the team is now but also what they want to be (Clutterbuck and Hirst, 2002).

Finniston (1975) argued that the gathering, storage, delivery, and communication of information in the widest sense are a growing business. There is an ever-increasing need for communication professionals to ensure that employees are aware of relevant happenings both inside and outside their organization. A good manager must also be effective in communication and training in communication must play a great role in managerial training in the future. Hence, communication is another important consideration for effective risk management.

Grabowski and Roberts (1999) have stated that communication plays a significant role in risk mitigation. It provides opportunities for clarification, for making sense of the organization's progress, and for members to discuss how to improve the organization and the impact of using diverse risk response strategies.

The communication process provides opportunities for members to know their responsibilities as the structure of the organization changes. There is involved in the risk identification and assessment process and if there are no "taboo" subjects who prevent conventional wisdom within the organization being challenged when necessary. All financial institutions need to consider the

concept of verifiability within their respective industry. It would be better if a different group of members was making the same decision about the importance of risks to come to the same conclusion (Carey, 2001).

c) Culture

The definition of culture has been described in many ways. Geert Hofstede is well known for its culture theory. Hofstede (2001) defined culture as the collective programming of the mind that distinguishes the members of one group or category of people from another. According to this definition, culture consists of patterns of values, ideas, thoughts, and feelings and is transmitted by symbols as factors in shaping behavior. Consequences of beliefs, attitudes, and skills affect thoughts, emotions, and actions.

Another definition of culture is described by Hasanali (2002): “Culture is the mixture of shared history, expectations, unwritten rules, and social customs that compel behaviors’. Culture is the set of beliefs that influence the perception of actions and communications of all people. Where cooperation is important to solve a crisis, culture is the key factor for willingness to learn from past mistakes and to exchange best practices across the organization. However, a supply chain consists of many different organizations and cultures and so developing any single culture is difficult.

Mosadeghrad (2006) studied how organizational culture impacts on success in total quality management. Culture has a significant effect on management success. A collaborative and corporate culture is supported by long term management, team working, collaboration, open communication, risk-taking, etc. So, a strategic plan must be established as a guideline for alignment and integrated within a quality culture.

As per Grabowski and Roberts (1999) recommendations, ERM needs several cultures combined to make the whole system in which the deep assumptions and adopted values of each of the organization members can be built around the common need to establish a reliable culture. Particularly, teamwork can develop behavior by sharing individual beliefs, conducting meetings, and seeking consensus in order for management to succeed.

The importance of culture within effective ERM is that knowledge transference requires individuals to come together to interact, exchange ideas, and share knowledge. In addition to this, culture also creates individuals who are constantly encouraged to generate new ideas, knowledge, and solutions and be an innovative person.

d) Organizational Structure

Stank, et al (1994) believe that organizational structure involves an organization's internal relationships, authority, and communication. The structure of the organization comprises formal hierarchy and communication and the information as well as data that flow along these lines. Thus, organizational structure defines the hierarchy and communication, serves to allocate tasks and resources, and provides a means of coordination.

Hunter (2002) also argues that organizational structure provides the authority to decide the work process. Organizational structure and work processes are effective when their design functions match their environment and have a positive impact on the organization's strategies.

Therefore, as one of the most important aspects of effective ERM, the organizational structure provides the concept, guideline, direction, and support to the employees that are conducted by the steering committee. They design and teach employees to share and use a common vocabulary.

Since the business world is in constant fluctuation, the environmental condition will change and some things new will develop gradually over time, while others may sweep the market quickly. As a result, the organizational structure must be reviewed regularly and adjusted to adapt to changing financial environments. In this regard, the management's role is to recommend policies for managing risk, the committee's role is to respond to review and approve them, and it is the management's responsibility to implement them and report back on their operation (Carey, 2001).

Grabowski and Roberts (1999) propose that risk management is primarily related to the fluidity of organizational structures. Responding in different ways and responding rapidly in the face of changing conditions is a flexible approach.

DeLoach (2004) emphasizes on enterprise-wide risk management process to manage risks and to create and protect enterprise value. ERM is built on a well-established structure of the organizational and ERM responsibilities and authorities. They decide on what needs to be done to develop risk management alternatives and select an approach to evaluate risk management options and the effectiveness of alternative strategies is balanced within established risk parameters and limits.

e) Training

Nowadays, most companies provide some type of training for their employees. According to Hughey and Mussnug (1997), some companies have a very formal process of training while others use outside consultants to conduct employee training programs. Treven (2003) also stated two training methods used by companies that include on the job training which provides one on one instruction, coaching, job rotation, and an apprenticeship and internship and off the job training which is conducted away from the worksite which covers a number of techniques like classroom lectures, case studies, films, demonstrations, etc.

It is known that the success of an organization depends upon its employees so that it is essential to make sure that an adequate supply of staff is equipped with the appropriate skills for special departmental or managerial positions. The process of staff development and training should also fulfill an organization's performance and the purpose of training should improve knowledge, skills, and attitudes which in turn increase employees' job satisfaction, motivation and confidence (Fill and Mullins, 1990)

If risk management is to be brought to the organization, the risk manager should set up training sessions through the directorate manager for members of staff and through the risk management team for consultants (Symons, 1995).

Carey (2001) demonstrated that the ability of organizations to respond to the dynamic changing environment relates to a variety of activities including the development of risk management training programs and the participation of employees in responding to early warning systems.

The main reason for an education and training program is not only to ensure that members are comfortable with the system but also to increase their expertise and knowledge. Training not

only uses the new system but also new processes and understands the integration within the system how the work of one employee influences the work of others.

f) Information Technology

Halliday et al (1996) define Information Technology as consisting of two components: “(1) the information systems (including related information) on which the critical business functions and processes depend (2) the computer technologies (hardware and software) which support the processing, storage, and distribution of the company’s data and information”. IT offers information about being the connector between one human to information and one human to another one (Wong, 2005).

Companies need to consider IT infrastructure as an important factor in increasing competition, higher performance, globalization, and liberalization. IT plays a key role in achieving organizational objectives. IT relates to all aspects of the organizational business processes, that include access to a shared infrastructure consisting of knowledge, human assets, core competencies, resource allocation, performance management, project tasking, and communication support (Mutsaers et al, 1998).

Shin (1999) suggests redesigning internal business processes by using IT and improves profitability and productivity. Because, IT relates to better information processing, sharing, fast responsiveness, and better coordination between separate units of an organization and across organizations. Moreover, IT also helps the effort of reducing costs such as the cost of documentation, decision information, and cost-effective monitoring or performance evaluation device.

Xenomorph (2007) argues that impossible to have effective ERM without having effective IT and describes the IT architecture necessary for this. Additionally, in a large organization, it would be difficult for members to communicate and share information without the availability of information technology infrastructure (Hasanali, 2002). So, IT can enable quick searches, access to data, and retrieval of data and support communication in an organization.

Rolland (2008) suggests using IT to initiate effective risk management. There are many benefits of IT; it can create an important link between risk management and organizations’ corporate

performance, it provides data security by employee level, limiting a user's access by time, line of business, business activity and individual risk, it helps to collect data used in the past so companies can learn through experience and avoid repeating the same mistakes. Hence, the use of IT in risk management helps to provide more valuable risk information for decision making. Therefore, IT is another imperative factor for successful risk management.

g) Trust

Trust, according to Mayer et al (1995) is the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor another party. This definition of trust is valid to a relationship with another identifiable party who is apparent to act and react with volition toward the trustor". The authors study trust within an organization and develop a model of dyadic trust in an organizational context. Trust involves two parties: the trustor and the trustee.

Trust is significant due to the influential need to see how to make compelling collaboration inside organizations. Trust is, in this way, key since it empowers participation. The accomplishment of an association is identified with its capacity to oversee compelling participation (Tyler, 2003). Pinto et al (2008) bolster the possibility that trust is significant for venture execution. Trust, they contend, improves the quality of working connections, cements collaborating jobs, and builds the eagerness of different venture partners to participate. Trust originates from reactions in regards to the sharing of materials, data, assets, and showing great plan conduct (Erden, 2003).

ERM needs cooperation and teamwork to encourage success. Trust among employees is an important requirement to changing those related to alliances, thus mitigating risk, as organizations are unwilling to adopt alliances like organizational structures that make them important to the fluctuation of the environment (McAllister, 1995).

2.4. Conceptual Framework

According to Smyth (2004), a conceptual framework is an outline that is organized from a set of wide ideas and concepts that help the study to appropriately identify problems they are looking at frame their questions and find suitable literature. Accordingly, from the above literature review, it is understood that effective ERM requires Board and top management commitment and support manifested by the willingness for enterprise-wide risk management, regular risk oversight and setting the tone and culture towards ERM through strategy setting, high-level objectives formulation, and approval of resource allocations. Besides, ERM also needs integration with Strategy and PMS so that risk management systems and programs can go with governance, strategic planning, budgeting, reporting, and management processes and considers all risks of the corporation. The corporation also needs to have an appropriate risk management process where the internal and external environment is properly established, risks are regularly identified, assessed, treated well, and continuously monitored and reviewed through effective consultation and communication. Then, the company will be able to increase the range of opportunities, identify and manage organization-wide risks, increase positive outcomes while reducing negative surprises, reduce performance variability, improve resource deployment, and enhance enterprise resilience.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Introduction

This chapter outlined the research approach and methods used in the study. These include research design, sampling design, type of data, research method, unit of analysis, variables of the study, research instrument, method of data analysis, reliability and validity, and ethical issues.

3.2. Research Design

The study has used descriptive research design which according to Jackson (2009) is used to describe a set of observations or data collected and provide an accurate and valid representation of what has happened and what has happening. The quantitative approaches were employed in this study based on EIC's staff drawn from different districts, branches and departments. It is appropriate because the study intends to describe what kind of challenges and opportunities are facing while the implementation of ERM. The descriptive analysis approach was chosen for this study because it seeks to gain insight into a phenomenon as a means of providing basic information in an area of study. The descriptive design is chosen for the study because of its capability of ensuring the maximum reliability of data collected.

3.3. Population and Sampling Design

3.3.1. Population and sample size

The population of the study is all employees of EIC that are found at head office, districts and branches that are providing core (i.e. underwriting and claims handling) and support insurance services (HR, IT, Finance, etc.). And the target population of the study includes only employees who are at the top, middle level managers and lower level managers, and principal officers and senior officers who are expected to have good knowledge of the organization's risk management system. Based on the data collected from the human resource directorate, the current, as of March 2020 EIC's HR profile is summarized on the following table.

Table 3.2. EIC's HR Profile as at March 2020

No.	Description	Job Position	Total
1	CEO	Chief Executive Officer	1
2	DCEO	Top Level Management	9
3	Directors	Middle Level Management	21
4	Team Leaders	Middle Level Management	44
5	Principal	Lower Level Management	184
6	Seniors officer	Lower Level Management and others	347
7	Officers and Others	Officers, drivers, cleaners etc.	1139
Total			1742

Source: Human Resource Directorate, EIC

According to the above table, the total number of population is about 1742, and the target population or employees who are at the top, middle and lower level management members and principal and senior officer's that are found in Addis Ababa accounts about 297. The desired sample size is 169 with a 5% error and 95% confidence interval. This is calculated by using Krejcie & Morgan (1970) sample size determination formula/table/ (Appendix 2).

3.3.2. Sampling techniques

In this study nonprobability sampling which is convenient sampling and expert sampling methods are used. Because convenient sampling is useful to choose a more important element of the population and expert sampling is also chosen to include the right person in the sample of the population and make the finding of the study more reliable and valid. Accordingly, each sample of the study was carefully picked and chosen employees from head office, districts and branches were expected to have the knowledge and experience of risk management in the corporation. In this way, only those employees who are at the level of senior and above were selected based on the researcher's judgment.

3.4. Types of Data and Instruments of Data Collection

The study has used a quantitative type of data collected from primary sources using a structured questionnaire. According to Hussey and Hussey (1997), a questionnaire is a list of carefully structured questions with a view to exploring a reliable response from a chosen sample. The questionnaire has carefully designed and developed in such a way that the respondents would understand easily by taking in to account the NBE risk management directive and COSO enterprise risk management framework.

The questionnaire has two parts. The first part asks for the general information of respondents while the second part of the questionnaires deals with the main study and arranged on the following range and the respondents were asked to indicate their level of agreement on a five-point Likert scale with the following ratings. Strongly agree (5), agree (4), neutral (3), disagree (2), and strongly disagree (1). The numbers are indicated in the questionnaire to provide a level of an ordinal scale.

3.5. Method of Data Collection

A self-administered questionnaire is the main instrument used to collect data. In doing so, questionnaires are distributed to selected respondents via the company's internal email system or Microsoft Outlook as well as personally delivered the hard copy and respondents also filled the questionnaire and forwarded in the same manner.

3.6. Method of Data Analysis

According to Mugenda (2003), data analyses are used to process of bringing order, structure, and meaning to the mass of information collected. The collected data from questionnaires was adopted and coded for completeness and accuracy and the response on each item is put into specific themes in a scientific way for easy analysis.

In order to draw a meaningful conclusion, data were summarized and presented using appropriate table format with frequencies, percentages, the mean and standard deviation for classifications of responses for easier understanding. SPSS version 20 was used for the analysis of data.

3.7. Variables of the study

The variables of the study are BODs and top management commitment and support to ERM, ERM integration with strategy and performance and the process of risk management that includes risk identification, risk assessment, risk response, risk control, risk communication, and risk monitoring, according to COSO ERM Framework, (2014) and Benefits of ERM. Determining whether EIC's enterprise risk management is "effective" is a judgment resulting from an assessment of whether these components are present and functioning effectively.

3.8. Ethical Issue

The study has respected the rights and confidentiality of the company and respondents who have participated in the study by filling out the questionnaire. The study also considered prohibitions against fabricating, falsifying or misrepresenting research data, and it has promoted the truth and avoided error.

CHAPTER FOUR

FINDINGS AND DISCUSSIONS

4.1. Introduction

The main objective of this study is to examine the practice of ERM in EIC. Therefore, this chapter presents the analysis, interpretation, and discussion of risk management data obtained through a structured questionnaire from respondents.

The data gathered from employees of EIC through the structured questionnaire is analyzed using SPSS and presented with the help of tables and figures under the main and subtopics of the study. The descriptive statistics analyze the demography of respondents, Board and Top Management Commitment and Support, ERM Integration with Strategy and Performance, Risk Management Process, and Benefits of ERM to see the practice of enterprise risk management in EIC.

4.2. Response Rate

As shown in Table 4.1, from the total number of 169 questionnaires distributed to management and non-management staff. Then 57.4% and 38.87% questionnaires are collected from management and non-management members respectively. This shows that the response rate was 95.27% implying that the sample addressed representative of the targeted population.

Table 4.3. Response Rate

Questionnaires	Number			Percentage		
	Management	Non-management	Total	Management	Non-management	Total
Returned	97	64	161	57.40	37.87	95.27
Not Returned	3	5	8	1.78	2.96	4.73
Total	100	69	169	59	41	100

Source: Survey Data Computed in SPSS, May 2020

4.3. Reliability

Reliability refers to the consistency and dependability of a measuring instrument. One of the methods used to measure internal consistency Cronbach's alpha coefficient. It is methods of assessing reliability to check if it is proper to rely on the outcome of the questionnaires. This coefficient measures the extent to which an instrument yields consistent results. It measures how well items in a set are related to one another. The reliability coefficient of 0.70 or higher is considered acceptable in most social science research situations.

Table 4.4. Summary of Reliability Statistics

No.	Variable	Cronbach's Alpha	N of Items
1	Board and Top Management Commitment and Support to ERM	0.782	10
2	Enterprise Risk Management Integration with Strategy and Performance	0.713	7
3	The practice of Risk Management Process	0.910	30
4	Benefits of Enterprise Risk Management	0.903	5
	All Variables	0.932	52

As shown in the above table, to test the reliability of the instrument, a pilot test was conducted by administering and distributing the instrument to 30 employees before the instrument is distributed to sample population and Cronbach's the alpha coefficient for 52 items become .932 and the Cronbach's the alpha coefficient of every variable is above 0.7 signifying that the items have relatively good internal consistency. This implies that the instrument is reliable.

4.4. Validity

Validity is the most critical criterion that indicates the degree to which an instrument measures what it is supposed to measure (Kothari, 2004). Among the various forms of measuring validity, content validity is established in this case. Content validity is the extent to which a measuring instrument provides adequate coverage of the topic under study (Kohtari, 2004). It can also be taken as the extent to which a measuring instrument provides adequate coverage of the topic

under study. As per the same author, content validity is good if an instrument contains a representative sample. To ensure content validity, the sample represented were those of the organizational employees who know better about the issue to be represented. In this case, senior and above the senior level of employees who are mostly members of management and non-management are taken as samples to ensure content validity.

4.5. The General Background of the Respondents

The first part of the questionnaires distributed to employees consists of demographic information of the respondents such as gender, education, work experience, and position and described by using descriptive analysis because Zikmund et al (2009) stated that descriptive statistics can summarize responses from large numbers of respondents in a few simple statistics. When a sample is obtained, the sample descriptive statistics are used to make inferences about the characteristics of the entire population of interest. It describes the basic characteristics such as central tendency, distribution, and variability.

Table 4.5. Summary of Demographic Characteristics of the Respondents

No	Variables	Frequency	Percent
1	Gender	Male	72.0
		Female	28.0
		Total	100.0
2	Education	Diploma	3.1
		Bachelor Degree	60.9
		Master's Degree	36.0
		Total	100.0
3	Experience	Below 5 Years	12.4
		5-10 Years	27.3
		Above 10 Years	60.2
		Total	100.0
4	Work Position	Managerial	60.2
		Non-managerial	39.8
		Total	100.0

Source: Survey Data Computed in SPSS, May 2020

4.5.1. Gender composition of respondents

As shown in Table 4.3, the majority of the respondents or 116 (72%) are males and 45 (28%) of respondents are females. Thus, the compositions of respondents fairly represent each sex as indicated in the population.

4.5.2. The educational level of respondents

Concerning the educational qualification of respondents, the highest number of respondents that account 98(60.9%) and 58(36%) have a first degree and master's degree respectively and only 5(3.1%) diploma level of education (Table 4.3). From this data, it is possible to infer that that academically, majority of respondents, who account for 156 (96.9%) of respondents hold a first degree and above. Therefore, it is possible to say that there are qualified and competent employees who understand and implement the risk management system of the corporation. This makes the data obtained more reliable and representative of the exact picture of the total population in the corporation.

4.5.3. Respondents work experience

As depicted in Table 4.3, majority of the respondents that account 97(60.2%) have above 10 years work experience within the corporation, 44(27.3%) of respondents have a range of 5-10 years of experience and respondents who have below 5 years of experience accounts 20(12.4%). This shows that the majority of the workforce is highly experienced. Therefore, most of the employees in the corporation are senior and have adequate knowledge about the practice of risk management efficiency and the effectiveness of the company.

4.5.4. Respondents work position

Table 4.3 reveals that 97(60.2%) of respondents are management members while 64(39.8%) of respondents are non-managerial. According to Zikmund et al (2009), cross-tabulation is the appropriate technique for addressing research questions involving relationships among multiple less-than interval variables. Accordingly, to see the distribution of positions variables with others demographic variables were indicated in table 4.4 as follows.

Table 4.6. Gender, Education and Experience of the Respondents by Work Position

Work Position	Gender			Education				Experience			
	Male	Female	Total	Diploma	Bachelor Degree	Master's Degree	Total	Below 5 Years	5-10 Years	Above10 Years	Total
Managerial	73	24	97	2	48	47	97	3	26	68	97
Non-managerial	43	21	64	3	50	11	64	17	18	29	64
Total	116	45	161	5	98	58	161	20	44	97	161

Source: Survey Data Computed in SPSS, May 2020

The above table shows that about 97 respondents are males and females in a managerial position. Out of which 95 of them are more than first degree holders and only 2 managers are diploma holders. On the other hand, 64 respondents are males and females in a non-managerial position and most of them (61 of them) have first degrees and above. In addition to this, the table shows that the number of management members having more than ten years of experience is greater than non-managers having more than ten years of experience. These all indicated that the corporation has more qualified and experienced insurance professionals across its branches, districts, and a head office. Therefore, it should maintain them to achieve corporate strategy in the current fierce insurance competition in Ethiopia because this result can be applied to the total population.

4.6. Results and Discussions of the Study

The findings of Likert scale measures were evaluated, as shown in table 4.5, in such a way that mean score from 1.00 - 1.50 is very low, from 1.51 - 2.50 is low, from 2.51 - 3.50 is moderate, from 3.51 - 4.50 is high, and 4.51 - 5.00 is considered as very High. And, a value of the standard deviation of 1 and less is considered as less variability in a five-point Likert scale.

Table 4.7. Mean Range and Interpretation

No.	Mean Ranges (Mean Scores)	Interpretation
1	From 4.51 - 5.00	Very High
2	From 3.51 - 4.50	High
3	From 2.51 - 3.50	Moderate
4	From 1.51 - 2.50	Low
5	From 1.00 - 1.50	Very Low

Source: Adopted from Survey Data Computed in SPSS, May 2020

Accordingly, the findings of the study based on the data from the questionnaires are analyzed, evaluated, and presented as follows.

4.6.1. Board and Top Management Commitment and Support to ERM

4.6.1.1. Management Commitment and Support

As it is indicated in the literature review, the success of ERM is highly dependent on the commitment and support of the company's management members, particularly the Board, and top management. To know the extent of agreement on the listed management members' commitment and support they are offering to the corporation's ERM, questions have been set for respondents and their responses are summarized in Table 4.6.

Table 4.8. FD and DS of Board and Top Management Commitment and Support

Management Members	Frequency Distribution					Descriptive Statistics				
	Level of Agreement	Frequency	Percent	Valid Percent	Cumulative Percent	N	Minimum	Maximum	Mean	Std. Deviation
Board	Strongly Disagree	11	6.8	6.8	6.8	161	1.00	5.00	2.9689	1.05132
	Disagree	44	27.3	27.3	34.2					
	Neutral	59	36.6	36.6	70.8					
	Agree	33	20.5	20.5	91.3					
	Strongly Agree	14	8.7	8.7	100.0					
	Total	161	100.0	100.0						
CEO	Strongly Disagree	5	3.1	3.1	3.1	161	1.00	5.00	3.5217	.95582
	Disagree	21	13.0	13.0	16.1					
	Neutral	37	23.0	23.0	39.1					
	Agree	81	50.3	50.3	89.4					
	Strongly Agree	17	10.6	10.6	100.0					
	Total	161	100.0	100.0						
Deputy CEOs	Strongly Disagree	6	3.7	3.7	3.7	161	1.00	5.00	3.0932	.98616
	Disagree	44	27.3	27.3	31.1					
	Neutral	49	30.4	30.4	61.5					
	Agree	53	32.9	32.9	94.4					
	Strongly Agree	9	5.6	5.6	100.0					
	Total	161	100.0	100.0						
Risk Management Director	Strongly Disagree	2	1.2	1.2	1.2	161	1.00	5.00	3.6832	.82479
	Disagree	8	5.0	5.0	6.2					
	Neutral	52	32.3	32.3	38.5					
	Agree	76	47.2	47.2	85.7					
	Strongly Agree	23	14.3	14.3	100.0					
	Total	161	100.0	100.0						

Management Members	Frequency Distribution					Descriptive Statistics				
	Level of Agreement	Frequency	Percent	Valid Percent	Cumulative Percent	N	Minimum	Maximum	Mean	Std. Deviation
Audit Committee	Strongly Disagree	23	14.3	14.3	14.3	161	1.00	5.00	3.0124	1.11236
	Disagree	19	11.8	11.8	26.1					
	Neutral	62	38.5	38.5	64.6					
	Agree	47	29.2	29.2	93.8					
	Strongly Agree	10	6.2	6.2	100.0					
	Total	161	100.0	100.0						
Risk Committee	Strongly Disagree	2	1.2	1.2	1.2	161	1.00	9.00	3.4161	1.39892
	Disagree	38	23.6	23.6	24.8					
	Neutral	55	34.2	34.2	59.0					
	Agree	43	26.7	26.7	85.7					
	Strongly Agree	18	11.2	11.2	96.9					
	9.00	5	3.1	3.1	100.0					
	Total	161	100.0	100.0						
Other Management	Strongly Disagree	2	1.2	1.2	1.2	161	1.00	9.00	3.2236	1.21437
	Disagree	43	26.7	26.7	28.0					
	Neutral	58	36.0	36.0	64.0					
	Agree	45	28.0	28.0	91.9					
	Strongly Agree	10	6.2	6.2	98.1					
	9.00	3	1.9	1.9	100.0					
	Total	161	100.0	100.0						

Source: Survey Data Computed in SPSS, May 2020

Board

According to NBE's risk management directive and COSO's ERM framework, the Board has the ultimate responsibility for the effectiveness of ERM. Based on table 4.6, concerning the Board Commitment and Support to ERM, 36.6% of respondents are neutral, and only 8.7% are strongly agreed while 20.5% agree. Generally, the number of respondents who agree that the Board is committed and supportive of ERM accounts for 29.2%. On the other hand, about 27.3% and 6.8% of respondents disagree and strongly disagree that the Board is committed and supportive. The value of standard deviation 1.05132 also shows that there is a slightly high variability of responses. The mean value 2.9689 shows that the level of commitment and support the Board of

EIC offer is moderate. This implies that the BOM is not fully executing its responsibilities to ensure effective ERM. This needs to be highly improved.

CEO

Based on table 4.6, about the CEO's Commitment and Support to ERM, 10.6% and 50.3% of respondents strongly agree and agree respectively while only 3.1% and 13.0% of respondents strongly disagree and disagree respectively. The remaining 23% are neutral to the question. This shows that the majority (60.9%) of the respondents agree that the CEO is committed and supportive. The value of standard deviation .95582 shows that there is a lower variability of responses. The mean value 3.5217 shows also that the level of commitment and support of the CEO is high. This implies that the CEO is good at executing his ERM responsibilities and these needs to be maintained.

Deputy CEOs

Likewise, as indicated in table 4.6, concerning the DCEOs Commitment and Support to ERM, 5.6% and 32.9% of respondents strongly agree and agree respectively while only 3.7% and 27.3% of respondents strongly disagree and disagree respectively. The remaining 30.4% are neutral to the question. This shows that about 38.5% of the respondents agree that the deputy DCEOs are committed and supportive. The value of standard deviation .98616 shows that there is a lower variability of responses. The mean value 3.0932 also displays that the level of commitment and support of the DCEOs is moderate implying that they are not good as expected in helping the practice of risk management. So, they are required to improve their efforts.

Risk Management Director

The response to the Risk Management Director Commitment and Support to ERM, as indicated in table 4.6, shows that about 14.3% and 47.2% of respondents strongly agree and agree respectively while only 1.2% and 5.0% of respondents strongly disagree and disagree respectively. The remaining 32.3% are neutral to the question. This shows that the majority (61.5%) of the respondents agree that the Risk Management Director is committed and supportive. The value of standard deviation .82479 also shows that there is less variability of responses. The mean value 3.6832 also implies that the level of commitment and support of the

Risk Management Director is high and this must be maintained through recognition and/or award.

Audit Committee

The Audit Committee is of the committee through which the Board oversight the level of operational and technical risks taken by the company. About 6.2% and 29.2% of respondents respectively strongly agree and agree that Audit Committee is Commitment and Support to the risk management practice of the corporation while only 14.3% and 11.8% of respondents strongly disagree and disagree respectively. The remaining 38.5% are neutral to the question, as indicated in table 4.6. This shows that 35.4% of the respondents agree that the Audit Committee is committed and supportive. The value of standard deviation 1.11236 also shows that there is more variability of responses. The mean value 3.0124 implies that the level of commitment and support of the Audit Committee is moderate implying that the board is not adequately supported by this committee to execute its responsibility of risk oversight. Hence, the Audit Committee also has to improve its contribution to the success of ERM.

Risk Committee

The other committee that enables the Board to oversight the level of operational and technological risks taken by the company is Risk Committee. As depicted in table 4.6, 11.2% and 26.7% of respondents respectively strongly agree and agree that Risk Committee is Commitment and Support to the risk management practice of the corporation while only 1.2% and 23.6% of respondents strongly disagree and disagree respectively. The remaining percentages of respondents are neutral to the question. This shows that 37.9% of the respondents agree that the Audit Committee is committed and supportive. The value of standard deviation 1.39892 also shows that there is a high variability of responses. However, contrary to the standard deviation, the mean value 3.4161 implies that the level of commitment and support of the Risk Committee is moderate. Similar to the Audit Committee, this implies that the board is not adequately supported by this committee to execute its responsibility of corporate risk management. Therefore, the Risk Committee has to be established in a way that enables to improve its contribution to the success of ERM.

Other Managements

Successful implementation of ERM requires not only board and top management but also other management's commitment and support. With regard to other management's Commitment and Support, about 6.2% and 28.0% of respondents strongly agree and agree respectively while only 1.2% and 26.7% of respondents strongly disagree and disagree respectively. The remaining 36% are neutral to the question. This shows that 34.2% of the respondents agree that the other managements are committed and supportive. The value of standard deviation 1.21437 shows that there is a higher variability of responses. However, the mean value 3.2236 shows also that the level of commitment and support of other managements is moderate.

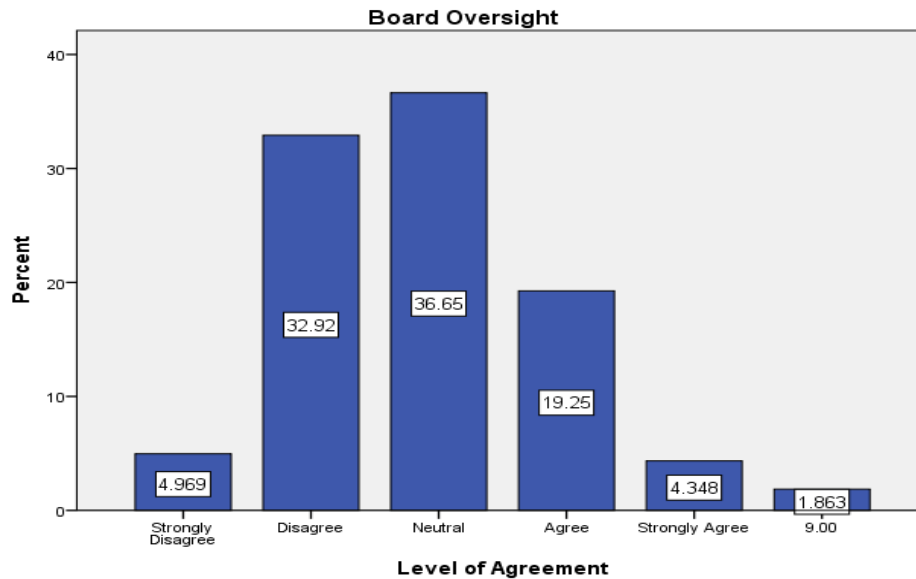
Even though all management members need to be highly committed and supportive for proactive risk management to enhance EIC's business operations as one organization rather than as a group of individual units, from the above findings and discussions, it is eminent that the level of commitment and support of CEO and Risk Management Director is high while the remaining management members including Board, DCEOs, Audit Committee, Risk Committee, and other managements is moderate.

Generally, from the above findings, only the CEO and risk management directorate are highly committed and supportive to ERM, though the Board needs to have always been involved in the management of risk. All the remaining management members' level of commitment is moderate implying that the contribution of Board and Top management to ERM is moderate, except the CEO and risk management director. Without appropriate risk oversight, the corporation cannot exploit the full range of strategic opportunities that are available to it, nor can it hope to protect itself from less positive outcomes. This implies that there is no common understanding from the top to the lower level of management about ERM so that they can equally engage and contribute to the success of ERM. Therefore, it is important to provide a risk management training program to create common awareness and improve the technical skill of the board and all management members as required.

4.6.1.2. Board Oversight

To assess the extent to which the Board regularly oversees the enterprise risk management planning and operations and ensures its effectiveness to give sound decisions, questions have been raised and the respondents' level of agreement is indicated in figure 4.1.

Figure 4.2. Response on Board Oversight



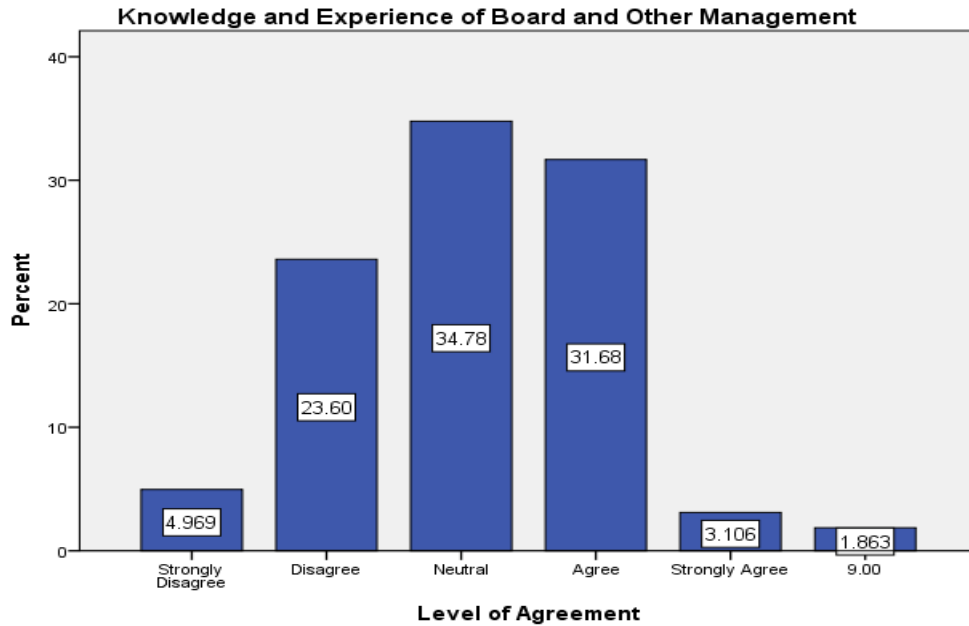
Source: Survey Data Computed in SPSS, May 2020

From the above figure, 4.35% and 19.25% of respondents respectively strongly agree and agree that the Board regularly oversees the ERM planning and operations while only 4.97% and 32.92% of respondents strongly disagree and disagree respectively. The remaining 36.65% of respondents are neutral to the question. This shows that only 23.6% of the respondents agree that the Board regularly oversees ERM planning and operations. The value of the associated standard deviation 1.25443 also shows that there is a high variability of responses. Similar to the finding under management commitment and support, the mean value 2.9627 also implies that the level of Board oversight is moderate implying that the focus of BOM to see the level of risks EIC facing and take appropriate risk treatment options for the achievement of the organizational objective is moderate. So, the study shows that it needs to be improvised.

4.6.1.3. Knowledge and Experience of Board and Other Management

To give the required support and set the right tone for ERM the board and all management members need to have appropriate knowledge and experience of enterprise risk management. To assess the knowledge and experience of these management members' questions have been raised and responses are summarized in figure 4.2.

Figure 4.3. Response on Knowledge and Experience of Board and Other Management



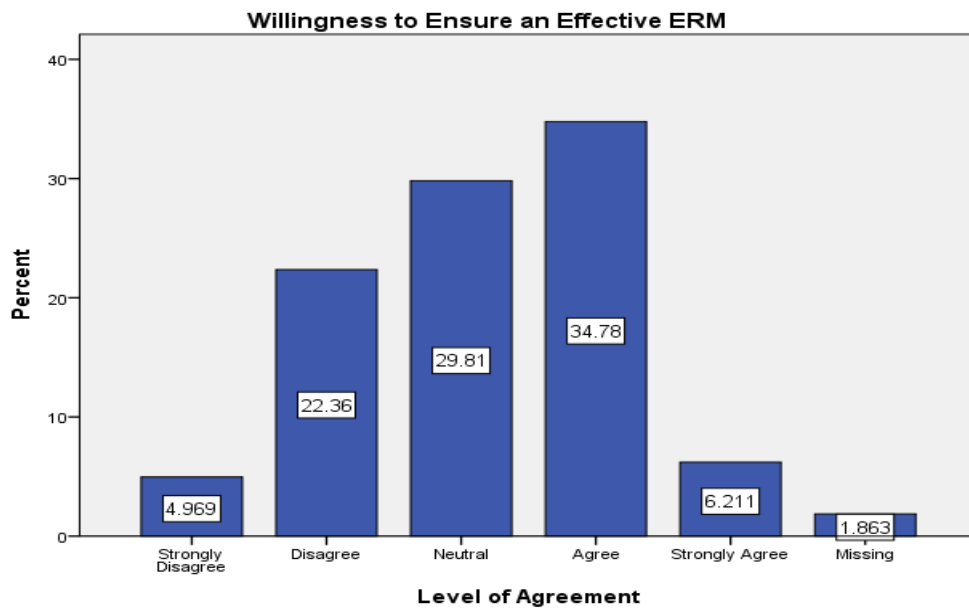
Source: Survey Data Computed in SPSS, May 2020

The above figure indicates that 3.1% and 31.7% of respondents respectively strongly agree and agree that board and all management members have appropriate knowledge and experience of ERM while 4.9% and 23% of respondents strongly disagree and disagree respectively. The remaining 34% of respondents are neutral to the question. This shows that only 33.8% of the respondents agree that the board and all management members have appropriate knowledge and experience. The value of standard deviation 1.23773 associated with also shows that there is a high variability of responses. The mean value 3.1553 implies that the Board and other management have a moderate level of knowledge and experience. Depending on this result, the study indicates that the knowledge of the board and other management members needs to be developed.

4.6.1.4. Willingness to Ensure an Effective ERM

In EIC there must be willingness or readiness to start somewhere to ensure an effective enterprise-wide approach to managing risks. To check this, respondents are asked their level of agreement and their responses are summarized in figure 4.3.

Figure 4.4. Response on Willingness to Ensure an Effective ERM



Source: Survey Data Computed in SPSS, May 2020

Figure 4.3 displays that 6.21% and 34.78% of respondents strongly agree and agree respectively that there is willingness or readiness to ensure an effective enterprise-wide approach to manage risks. On the other hand, 4.97% and 22.36% of respondents are strongly disagreeing and disagreeing respectively. The remaining 30% of respondents are neutral to the question. This indicates that about 40.1% of the respondents agree that there is the readiness to ensure an effective ERM. The value of standard deviation 2.63266 associated with also shows that there is a very high variability of responses. However, the mean value 3.4099 implies that the level of readiness to ensure an effective ERM is moderate. This implies that due to some reason the corporation is not fully willing to implement ERM. In this regard, the corporation needs to fully aware of the benefits of effective ERM so that it can be eager to be fully willing to invest its resources for effective ERM implementation.

Generally, all the above findings imply that the overall level of Board and Top Management Commitment and Support to ERM is Moderate.

Table 4.9. Summary of FD and DS for Board Oversight, Knowledge, Experience and Willingness

Descriptions	Frequency Distribution					Descriptive Statistics				
	Level of Agreement	Frequency	Percent	Valid Percent	Cumulative Percent	N	Minimum	Maximum	Mean	Std. Deviation
The Board regularly oversees the enterprise risk management planning and operations and ensures its effectiveness to give sound decision	Strongly Disagree	8	5.0	5.0	5.0	161	1.00	9.00	2.9627	1.25443
	Disagree	53	32.9	32.9	37.9					
	Neutral	59	36.6	36.6	74.5					
	Agree	31	19.3	19.3	93.8					
	Strongly Agree	7	4.3	4.3	98.1					
	9.00	3	1.9	1.9	100.0					
	Total	161	100.0	100.0						
EIC's board and all management members have appropriate knowledge and experience of enterprise risk management to set the right tone/support.	Strongly Disagree	8	5.0	5.0	5.0	161	1.00	9.00	3.1553	1.23773
	Disagree	38	23.6	23.6	28.6					
	Neutral	56	34.8	34.8	63.4					
	Agree	51	31.7	31.7	95.0					
	Strongly Agree	5	3.1	3.1	98.1					
	9.00	3	1.9	1.9	100.0					
	Total	161	100.0	100.0						
In EIC, there is willingness to start somewhere to ensure an effective enterprise wide approach to managing risk.	Strongly Disagree	8	5.0	5.0	5.0	161	1.00	33.00	3.4099	2.63266
	Disagree	36	22.4	22.4	27.3					
	Neutral	49	30.4	30.4	57.8					
	Agree	56	34.8	34.8	92.5					
	Strongly Agree	10	6.2	6.2	98.8					
	9.00	2	1.2	1.2	100.0					
	Total	161	100.0	100.0						

Source: Survey Data Computed in SPSS, May 2020

4.6.2. Enterprise Risk Management Integration with Strategy and PMS

Table 4.8 displays a summary of respondents' level of agreement on whether ERM is integration with Strategy and PMS or not. The responses are presented as follows.

Table 4.10. Summary of FD and DS of ERM Integration with Strategy and PMS

Descriptions	Frequency			Descriptive Statistics	
	Level of Agreement	Frequency	Percent	Mean	Std. Deviation
Risk management system and programs are integrated into governance, strategic planning, budgeting, reporting and management processes of the corporation's core and support businesses.	Strongly Disagree	5	3.1	3.0807	1.07224
	Disagree	47	29.2		
	Neutral	53	32.9		
	Agree	46	28.6		
	Strongly Agree	9	5.6		
	Missing	1	.6		
	Total	161	100.0		
Risk management system and programs are communicated into the corporation's core and support businesses.	Strongly Disagree	8	5.0	2.9938	1.10395
	Disagree	54	33.5		
	Neutral	40	24.8		
	Agree	53	32.9		
	Strongly Agree	5	3.1		
	Missing	1	.6		
	Total	161	100.0		
EIC's risk management framework considers all risks of the corporation including strategic, insurance, financial, operational and compliance risks.	Strongly Disagree	3	1.9	3.3913	0.88864
	Disagree	24	14.9		
	Neutral	52	32.3		
	Agree	71	44.1		
	Strongly Agree	11	6.8		
	Total	161	100.0		
Risk management activities are integrated with main business processes and management controls at all levels and become part of all management responsibility.	Strongly Disagree	5	3.1	2.9876	0.94860
	Disagree	52	32.3		
	Neutral	50	31.1		
	Agree	48	29.8		
	Strongly Agree	6	3.7		
	Total	161	100.0		
EIC has organizational culture where risks are appropriately identified, assessed, managed and. communicated	Strongly Disagree	13	8.1	2.6832	0.95801
	Disagree	66	41.0		
	Neutral	43	26.7		
	Agree	37	23.0		
	Strongly Agree	2	1.2		
	Total	161	100.0		

Descriptions	Frequency			Descriptive Statistics	
	Level of Agreement	Frequency	Percent	Mean	Std. Deviation
There are formal mechanisms established to review and monitor effectiveness of risk management throughout the corporation.	Strongly Disagree	7	4.3	2.8137	1.00128
	Disagree	58	36.0		
	Neutral	63	39.1		
	Agree	28	17.4		
	Strongly Agree	4	2.5		
	Missing	1	.6		
	Total	161	100.0		
EIC's performance management system considers risk management efforts.	Strongly Disagree	14	8.7	3.0186	1.66385
	Disagree	54	33.5		
	Neutral	52	32.3		
	Agree	29	18.0		
	Strongly Agree	4	2.5		
	Missing	8	5.0		
	Total	161	100.0		

Source: Survey Data Computed in SPSS, May 2020

The first issue that respondents gave to their level of agreement is whether EIC's risk management system and programs are integrated into governance, strategic planning, budgeting, and reporting and management processes of the corporation's core and support businesses. Accordingly, 5.6% and 28.6% of respondents are strongly agreed and agree while 3.1% and 29.2% of respondents are strongly disagreeing and disagree respectively. The remaining 32.9% of respondents are neutral. This shows that totally 34.2% of the respondents' agreed that risk management systems and programs of the corporation are integrated into governance, strategic planning, budgeting, and reporting and management processes of core and support businesses. The value of standard deviation 1.07224 shows that there is a high variability of responses and the mean value 3.0807 implies that the level of this integration is moderate.

The second issue is to know if the risk management system and programs of the corporation are communicated into the corporation's core and support businesses. In this regard, about 3.1% and 32.9% of respondents are strongly agreed and agreed while 5.0% and 33.5% of respondents are strongly disagreeing and disagree respectively. The remaining 32.9% of respondents are neutral. This shows that 36% of the respondents' agreed that the risk management system and programs of the corporation are communicated into corporate-wide. Though the value of standard

deviation 1.10395 shows that there is a high variability of responses, the mean value 2.9938 implies that the level of this communication in this regard is moderate.

The third issue is whether EIC's risk management framework considers all risks of the corporation that include strategic, insurance, financial, operational, and compliance risks. Similarly, 6.8% and 44.1% of respondents are strongly agreed and agreed. On the other hand, 1.9% and 14.9% of respondents are strongly disagreeing and disagree respectively. The remaining 32.3% of respondents became neutral. This shows that the majority (50.9%) of the respondents' have agreed that the risk management framework considers all risks of the corporation. The value of standard deviation 0.88864 shows that there is low variability of responses and the mean value 3.3913 also implies that the level of risk management framework consideration is moderate.

Fourthly, the numbers of respondents strongly agreeing and agreed to the issue that risk management activities are integrated with main business processes and management controls so that it becomes part of all management responsibility is 3.7% and 29.8% respectively. On the opposite, about 3.1% and 32.3% of respondents strongly disagreeing and disagree. The remaining 31.1% of respondents are neutral to the question. This shows that 33.5% of the respondents' have agreed on the integration of risk management activities with main business processes and management controls and become part of all management responsibility. The value of standard deviation 0.94860 shows that there is a low variability of responses and the mean value 2.9876 also shows that the level of integration of risk management activities is moderate.

The fifth issue is that EIC has an organizational culture where risks are appropriately identified, assessed, communicated, and managed. In this regard, about 1.2% and 23.0% of respondents are strongly agreed and agreed. On the other hand, 8.1% and 41.0% of respondents are strongly disagreeing and disagree respectively. The remaining 26.7% of respondents became neutral. This shows that the majority (49.1%) of the respondents' have disagreed that EIC has a good organizational culture of risk management. The value of standard deviation 0.95801 shows that there is a low variability of responses and the mean value 2.6832 implies that the level of organizational culture is also moderate.

The sixth issue is whether there are formal mechanisms established to review and monitor the effectiveness of risk management throughout the corporation. The result shows that 2.5% and 17.4% of respondents are strongly agreed and agreed while 4.3% and 36.0% of respondents are strongly disagreeing and disagree respectively. The majority (39.1%) of respondents become neutral. This shows that only 19.9% of the respondents have agreed that in EIC there is formal method used to review and monitor the effectiveness of risk management. The value of standard deviation 1.00128 shows that there is low variability of responses and the mean value 2.8137 implies that the level of risk management monitoring and review is moderate.

The final issue in this category is that EIC's PMS considers risk management efforts. In this regard, 2.8% and 18% of respondents are strongly agreed and agreed. In the opposite, 8.7% and 33.5% of respondents are strongly disagreeing and disagree respectively. The remaining 32.3% of respondents became neutral. This shows that the majority (42.2%) of the respondents have disagreed that PMS of the corporation considers risk management efforts. The value of standard deviation 1.66385 shows that there is a high variability of responses and the mean value 3.0186 shows that the level of PMS integration with risk management effort is moderate.

All of the above findings imply that there are some limitations on risk management system and program integration into governance, strategic planning, budgeting, reporting and management control processes of the corporation's core and support businesses used to properly manage the strategic, insurance, financial, operational, and compliance risks. In addition to this, the risk management system and programs are not well communicated throughout the corporation and become of all management responsibility. Similarly, the findings show that there is a moderate organizational culture where risks are appropriately identified, assessed, managed, and communicated to the concerned body, and also there are limited formal mechanisms established to review and monitor the effectiveness of ERM throughout the corporation. The risk management efforts are also not properly considered in the PMS.

Generally, all of the above result of findings' demonstrates that the level of ERM integration with strategy and PMS is moderate.

4.6.3. The practice of Risk Management Process

To make ERM more effective the process steps of risk management must be properly implemented. To check the practice of EIC, questions have been raised and their responses are presented as follows.

1. Internal and External Environment

Respondents' level of agreement whether or not the internal and external environment of the corporation are suitable for effective ERM implementation is summarized in Table 4.9.

Table 4.11. FD and DS of Internal and External Environment

No	Description	Level of Agreement	Frequency Distribution		Descriptive Statistics	
			Frequency	Percent	Mean	Std. Deviation
1	EIC has understood the philosophy and approach to risk management and acknowledged as a critically important function.	Strongly Disagree	5	3.1	3.0435	0.93105
		Disagree	46	28.6		
		Neutral	52	32.3		
		Agree	53	32.9		
		Strongly Agree	5	3.1		
		Total	161	100.0		
2	EIC's major internal and external sources of risks that have to be considered in risk management are properly identified and documented.	Strongly Disagree	4	2.5	3.1429	0.88641
		Disagree	36	22.4		
		Neutral	59	36.6		
		Agree	57	35.4		
		Strongly Agree	5	3.1		
		Total	161	100.0		
3	EIC's internal and external factors that will either enhance or inhibit the corporation's ability to attain each strategic objective are identified.	Strongly Disagree	6	3.7	3.2422	0.9272
		Disagree	29	18.0		
		Neutral	53	32.9		
		Agree	66	41.0		
		Strongly Agree	7	4.3		
		Total	161	100.0		

No	Description	Level of Agreement	Frequency Distribution		Descriptive Statistics	
			Frequency	Percent	Mean	Std. Deviation
4	EIC has well established risk appetite and tolerance level for inherent risks that are facing.	Strongly Disagree	5	3.1	3.2919	0.87063
		Disagree	25	15.5		
		Neutral	53	32.9		
		Agree	74	46.0		
		Strongly Agree	4	2.5		
		Total	161	100.0		
5	There is clear structure, allocation of responsibility and accountability and disciplines for effective implementation of risk management.	Strongly Disagree	5	3.1	3.0124	0.95517
		Disagree	50	31.1		
		Neutral	51	31.7		
		Agree	48	29.8		
		Strongly Agree	7	4.3		
		Total	161	100.0		
6	EIC has established policy and processes, applying risk management that helps to maximize the opportunities and minimize threats.	Strongly Disagree	3	1.9	3.472	0.83712
		Disagree	19	11.8		
		Neutral	46	28.6		
		Agree	85	52.8		
		Strongly Agree	8	5.0		
		Total	161	100.0		
7	All necessary resources and infrastructures are allocated across the corporation for effective implementation of risk management.	Strongly Disagree	6	3.7	2.7391	0.88404
		Disagree	66	41.0		
		Neutral	58	36.0		
		Agree	26	16.1		
		Strongly Agree	5	3.1		
		Total	161	100.0		
8	Employees assigned to manage aggregate risks of the corporation have the knowledge and ability of enterprise risk management.	Strongly Disagree	6	3.7	3.2236	0.96161
		Disagree	31	19.3		
		Neutral	56	34.8		
		Agree	57	35.4		
		Strongly Agree	11	6.8		
		Total	161	100.0		

Source: Survey Data Computed in SPSS, May 2020

As per the above table, first of all, EIC needs to understand the philosophy and approach to enterprise risk management and acknowledged as a critically important function. In this regard, 3.1% and 32.9% of respondents are strongly agreed and agreed. The others, 3.1% and 28.6% of respondents are strongly disagreeing and disagree respectively and the remaining 32.3% of respondents are neutral to the question. This shows that about 31.7% of the respondents' have agreed that EIC has understood the philosophy and approach to risk management and acknowledged it as a critically important function. The value of standard deviation 0.93105 shows that there is less variability of responses and the mean value 3.0435 shows that the level the stated issue is moderate.

EIC also has to properly identify and document major internal and external sources of risks that have to be considered in risk management. About 3.1% and 35.4% of respondents are also strongly agreed and agreed while 2.5% and 22.4% of respondents are strongly disagreeing and disagree respectively and the remaining 36.6% of respondents are neutral to the question. This shows that the majority (38.5%) of the respondents' have agreed that EIC's major internal and external sources of risks that have to be considered in risk management are properly identified and documented. The value of standard deviation 0.88641 shows that there is less variability of responses and the mean value 3.1429 shows that the level the stated issue is moderate.

Table 4.9 also indicates the respondents' level agreement on the issue that EIC has a well-established risk appetite and tolerance level for inherent risks that are facing. In this issue, 2.5% and 46% of respondents are strongly agreed and agreed while 3.1% and 15.5% of respondents are strongly disagreeing and disagree respectively. The rest of 32.9% respondents are neutral to the question. This shows that the majority (47.5%) of the respondents' have agreed that well-established risk appetite and tolerance level. The value of standard deviation 0.87063 shows that there is less variability of responses and the mean value 3.2919 shows that the extent of risk appetite and tolerance level establishment is moderate.

In addition to the above issues, for effective management of risks, EIC needs to have a clear structure, allocation of responsibility and accountability. In this regard, 4.3% and 29.8% of respondents are strongly agreed and agreed while 3.1% and 31.1% of respondents are strongly disagreeing and disagree respectively. The rest of 31.7% of respondents are neutral to the question. This shows that 34.2% of the respondents' have agreed that there is a clear structure,

allocation of responsibility and accountability and disciplines for effective implementation of risk management. The value of standard deviation 0.95517 shows that there is less variability of responses and the mean value 3.0124 shows that the level of the stated issue is moderate.

EIC also has to establish policy and processes, applying risk management that helps to maximize the opportunities and minimize threats. In the same manner, 5.0% and 52.8% of respondents are strongly agreed and agreed and 1.9% and 11.8% of respondents are strongly disagreeing and disagree respectively. The remaining 28.6% of respondents are neutral to this question. This shows that the majority (57.8%) of the respondents' have agreed that EIC has established policy and processes, applying risk management that helps to maximize the opportunities and minimize threats.. The value of standard deviation 0.83712 shows that there is less variability of responses and the mean value 3.472 shows that the level of the stated issue is moderate.

All necessary resources and infrastructures, including the right manpower need to be allocated across the corporation for effective implementation of risk management. Concerning this, 3.1% and 16.1% of respondents are strongly agreed and agreed while 3.7% and 41.0% of respondents are strongly disagreeing and disagree respectively. The rest of 37% of respondents are neutral to the question. This shows that only 19.2% of the respondents' have agreed that all necessary resources and infrastructures are allocated across the corporation for effective implementation of risk management. The value of standard deviation 0.88404 shows that there is less variability of responses and the mean value 2.7391 shows that the level of the stated issue is moderate.

The final issue stated in the internal environment is that employees assigned to manage the aggregate risks of the corporation have the knowledge and ability of ERM. In this regard, 6.8% and 35.4% of respondents are strongly agreed and agreed while 3.7% and 19.3% of respondents are strongly disagreeing and disagree respectively. The rest of 34.8% of respondents are neutral to the question. This shows that about 42.2% of the respondents' have agreed that employees assigned to manage the aggregate risks of the corporation have the knowledge and ability of ERM. The value of standard deviation 0.96161 shows that there is less variability of responses and the mean value 3.2236 shows that the level of the stated issue is moderate.

All of the above results of respondents' demonstrate that the extent of internal and external environment establishment for effective ERM is moderate.

2. Objective Setting

The success of ERM also highly dependent on the clearly established risk management objectives and these objectives must consider the vision, mission, values and strategic objectives of the corporation. Concerning these two issues, the agreement levels of respondents have shown in figure 4.4 and figure 4.5.

Figure 4.5. Response on risk management objectives setting



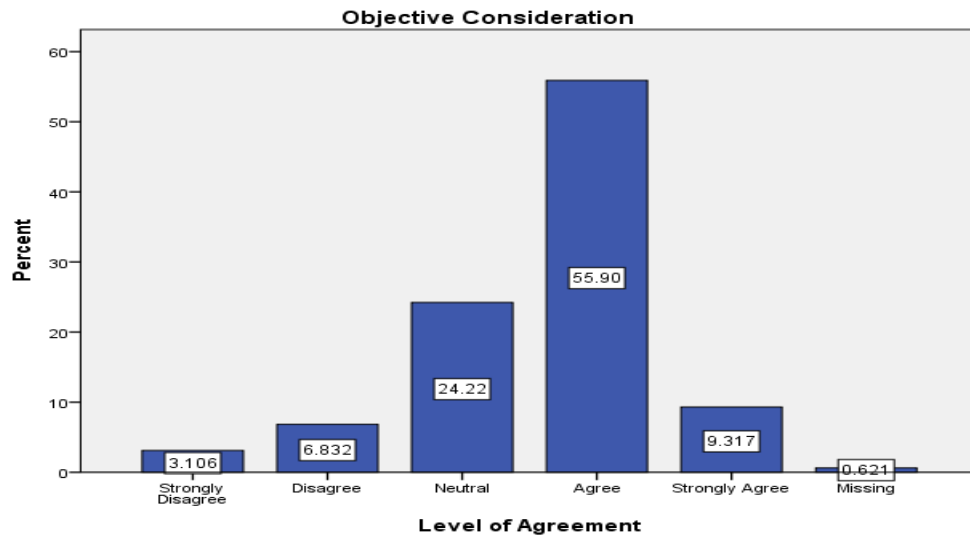
Source: Survey Data Computed in SPSS, May 2020

According to figure 4.4, 7.5% and 49.7% of respondents are strongly agreed and agreed while 3.1% and 11.2% of respondents are strongly disagreeing and disagree respectively while 27.3% of respondents are neutral. This indicates that the majority (57.2%) of the respondents' have agreed that EIC has set risk management objectives. As shown in Table 4.10, the associated value of standard deviation 1.08944 shows that there is a high variability of responses and the mean value 3.5466 shows that the level of the stated issue is high.

In addition to this, as depicted in figure 4.5, 9.3% and 55.9% of the respondents are strongly agreed and agreed and 3.1% and 6.8% of respondents are strongly disagreeing and disagree respectively while the remaining 24.2% of respondents are neutral. This indicates that the majority (65.2%) of the respondents' have agreed that EIC's risk management objective setting considers the vision, mission, values and strategic objectives of the corporation. As shown in

Table 4.12, the associated value of standard deviation .96346 shows that there is a high variability of responses and the mean value 3.6522 shows that the level of the stated issue is high.

Figure 4.6. Response on Risk management Objective Consideration



Source: Survey Data Computed in SPSS, May 2020

3. Risk Identification

After the internal environment is well established, the next step of the risk management process is risk identification. To know the level of risk identification practice of the corporation different questions have been raised. The level of respondents' agreement is also indicated in Table 4.10. Accordingly, the first question was to give their response on the statement that in EIC there is regular identification of risks having a negative impact (threats) and positive impact (opportunities) on strategic objectives. Their response shows that 5.6% and 43.5% of respondents are strongly agreed and agreed while 3.7% and 16.1% of respondents are strongly disagreeing and disagree respectively. The other 31.1% of respondents are neutral to the question. This indicates that about 49.1% of the respondents' have agreed that there is regular risk identification in the corporation. The value of standard deviation .93699 shows that there is less variability of responses and the mean value 3.3106 shows that the frequency and regularity of risk identification are at a moderate level.

Table 4.12. Frequency and Descriptive statistics of Risk Identification

No	Description	Level of Agreement	Frequency Distribution		Descriptive Statistics	
			Frequency	Percent	Mean	Std. Deviation
1	In EIC, there is regular identification of risks having a negative impact (threats) and positive impact (opportunities) on strategic objectives.	Strongly Disagree	6	3.7	3.3106	.93699
		Disagree	26	16.1		
		Neutral	50	31.1		
		Agree	70	43.5		
		Strongly Agree	9	5.6		
		Total	161	100.0		
2	In EIC's, there are ongoing risk identification ways where any staff member can identify and raise risks around its activities and report.	Strongly Disagree	7	4.3	2.7640	1.01560
		Disagree	68	42.2		
		Neutral	49	30.4		
		Agree	34	21.1		
		Strongly Agree	2	1.2		
		Missing	1	.6		
		Total	161	100.0		
3	In EIC, risk identification is the responsibility of every employee of the corporation at all levels at their respective work areas.	Strongly Disagree	35	21.7	2.7143	1.25214
		Disagree	38	23.6		
		Neutral	38	23.6		
		Agree	38	23.6		
		Strongly Agree	12	7.5		
		Total	161	100.0		
4	EIC is using different methods of risk identification as appropriate that include questionnaires, brainstorming, data review, environmental scanning etc.	Strongly Disagree	14	8.7	3.0311	1.13149
		Disagree	39	24.2		
		Neutral	45	28.0		
		Agree	58	36.0		
		Strongly Agree	4	2.5		
		Missing	1	.6		
		Total	161	100.0		
5	The identified risks are list with the associated causes, likelihood and potential consequences and documented in a risk register.	Strongly Disagree	3	1.9	3.0248	1.00592
		Disagree	51	31.7		
		Neutral	55	34.2		
		Agree	47	29.2		
		Strongly Agree	4	2.5		
		Missing	1	.6		
		Total	161	100.0		

Source: Survey Data Computed in SPSS, May 2020

The other issue that must be is that there must an ongoing risk identification ways where any staff member can identify and raise risks around its activities and report to the concerned body.

In this regard, about 1.2% and 21.1% of respondents are strongly agreed and agreed while 4.3% and 42.2% of respondents are strongly disagreeing and disagree respectively. The other 30.4% of respondents are neutral to the question. This indicates that only 22.2% of the respondents' have agreed that there is ongoing risk identification ways. The value of standard deviation 1.01560 shows that there is more variability of responses and the mean value 2.7640 shows that the practice of ongoing risk identification is at a moderate level.

According to COSO's risk management framework risk identification is the responsibility of every employee of the corporation at all levels in their respective work areas. When the practice of EIC was asked, 7.5% and 23.6% of respondents are strongly agreed and agreed on the issue while 21.7% and 23.6% of respondents are strongly disagreeing and disagree respectively. The remaining 23.6% of respondents are neutral to the question. This indicates that 31.1% of the respondents' have agreed that risk identification is the responsibility of every employee of the corporation at all levels in their respective work areas. The value of standard deviation 1.25214 shows that there is a high variability of responses and the mean value 2.7143 shows that the practice of the stated is at a moderate level.

Risk identification may require using different methods of as appropriate including questionnaires, brainstorming, data review, environmental scanning, etc. when the study assesses, 2.5% and 36% of respondents are strongly agreed and agreed on the issue while 8.7% and 24.2% of respondents are strongly disagreed and disagreed. The remaining 23.6% of respondents are neutral to the question. This indicates that 33.1% of the respondents' have agreed that EIC is using different methods of risk identification as appropriate. The value of standard deviation 1.13149 shows that there is a high variability of responses and the mean value 3.0311 shows that the practice of using a different method of risk identification is at a moderate level.

After risks are well identified, the identified risks need to be listed with the associated causes, likelihood and potential consequences and documented in a risk register. The practice of the corporation as indicated by respondents shows that 2.5% and 29.2% of respondents are strongly agreed and agreed on the issue while 1.9% and 31.7% of respondents are strongly disagreed and disagreed. The remaining 34.2% of respondents are neutral. This indicates that 33.6% of the respondents' have agreed that the identified risks need to be listed with the associated causes,

likelihood and potential consequences and documented. The value of standard deviation 1.00592 shows that there is a high variability of responses and the mean value 3.0248 shows that the practice of need to be listing and documenting the identified risks with the associated causes, likelihood and potential consequences is at a moderate level.

Generally, the above finding demonstrates that the practice risk identification in EIC is also at a moderate level.

4. Risk Assessment (Risk Analysis & Risk Evaluation)

In the risk management process, risk identification generally followed by risk assessment which includes risk analysis and risk evaluation. Table 4.11 shows details of respondents' level of agreement on the issues raise under this topic.

The first issue was that EIC has well developed qualitative and/or quantitative risk assessment criteria used to assess, based on frequency, impact and risk rating. In this regard, most (41%) of respondents are neutral. Only 4.3% and 19.9% of respondents are strongly agreed and agreed on the issue while 3.7% and 31.1% of respondents are strongly disagreed and disagreed. This indicates that 24.2% of the respondents' have agreed that there are qualitative and/or quantitative risk assessment criteria. The value of standard deviation 0.90970 shows that there is less variability of responses and the mean value 2.9006 shows that the risk assessment criteria used to assess risks is at a moderate level.

According to NBE risk management directive, at minimum insurance companies are required to identify and analyze inherent risks based on the likelihood and consequences of a risk event. Accordingly, 1.9% and 39.1% of respondents are strongly agreed and agreed on the issue while 4.3% and 13% of respondents are strongly disagreed and disagreed. The remaining 41% of the respondents are neutral. This indicates that 42% of the respondents' have agreed that EIC's inherent risks are analyzed based on the likelihood and consequences of risk events. The value of standard deviation 0.96845 shows that there is less variability of responses and the mean value 3.2484 shows that the stated issue is at a moderate level.

Table 4.13. Frequency and Descriptive Statistics of Risk Assessment

No.	Description	Level of Agreement	Frequency Distribution		Descriptive Statistics	
			Frequency	Percent	Mean	Std. Deviation
1	EIC has well developed qualitative and/or quantitative risk assessment criteria used to assess, based on frequency, impact and risk rating.	Strongly Disagree	6	3.7	2.9006	0.9097
		Disagree	50	31.1		
		Neutral	66	41.0		
		Agree	32	19.9		
		Strongly Agree	7	4.3		
		Total	161	100.0		
2	EIC's inherent risks are analyzed based on the likelihood and consequences of risk event.	Strongly Disagree	7	4.3	3.2484	0.96845
		Disagree	21	13.0		
		Neutral	66	41.0		
		Agree	63	39.1		
		Strongly Agree	3	1.9		
		Missing	1	.6		
		Total	161	100.0		
3	In EIC, there is a practice of identifying and evaluation of existing internal controls to check whether existing controls can address the identified risks and how effective are these controls.	Strongly Disagree	5	3.1	3.0062	1.00931
		Disagree	45	28.0		
		Neutral	66	41.0		
		Agree	38	23.6		
		Strongly Agree	6	3.7		
		Missing	1	.6		
		Total	161	100.0		
4	Always there is residual risk analysis to check if it were to occur in the current control environment after risk mitigation actions are in place.	Strongly Disagree	25	15.5	2.8385	1.05416
		Disagree	22	13.7		
		Neutral	75	46.6		
		Agree	32	19.9		
		Strongly Agree	7	4.3		
		Total	161	100.0		
5	The practice in EIC shows that after risk assessment is conducted risks are prioritized according their severity for risk treatment.	Strongly Disagree	4	2.5	3.4348	1.08848
		Disagree	25	15.5		
		Neutral	57	35.4		
		Agree	51	31.7		
		Strongly Agree	23	14.3		
		Missing	1	.6		
		Total	161	100.0		

Source: Survey Data Computed in SPSS, May 2020

The other issue in this topic states that in EIC if there is a practice of identification and evaluating existing internal controls to check whether existing controls can address the identified

risks and how effective are these controls. 3.7% and 23.6% of respondents are strongly agreed and agreed on the issue while 3.1% and 28% of respondents are strongly disagreed and disagreed. The remaining 41% of respondents are neutral to the issues raised. This indicates that only 27.3% of the respondents' have agreed that in EIC, there is a practice of identifying and evaluation of existing internal controls to check whether existing controls can address the identified risks and how effective are these controls. The value of standard deviation 1.00931 shows that there is more variability of responses and the mean value 3.0062 shows that the stated issue is at a moderate level.

In addition to the above, always there must be residual risk analysis to check if it were to occur in the current control environment after the previous risk mitigation actions were in place. But, only 4.3% and 19.9% of respondents are strongly agreed and agreed on the issue while 13.7% and 15.5% of respondents are strongly disagreed and disagreed. The remaining 46.6% of respondents are neutral to the issues raised. This indicates that only 24.2% of the respondents' have agreed that in EIC's there is such practice. The value of standard deviation 1.05416 shows that there is more variability of responses and the mean value 2.8385 shows that such practice is at moderate level.

The final issue raised under this topic is that in EIC if there is the practice of risk prioritization after a risk assessment is conducted, according to their severity for risk treatment. And about 14.3% and 31.7% of respondents are strongly agreed and agreed on the issue while 2.5% and 15.5% of respondents are strongly disagreed and disagreed. The remaining 35.4% of respondents are neutral to the issue raised. This indicates that 46% of the respondents' have agreed that in EIC's there is such practice. The value of standard deviation 1.08848 shows that there is more variability of responses and the mean value 3.4348 shows that such practice is at a moderate level.

Generally, all of the above finding demonstrates that the practice risk assessment in EIC is also at a moderate level.

5. Risk Treatment

After a thorough risk assessment, the fifth step of the risk management process is to take appropriate action based on risk priority. To assess the practice of the corporation different

questions have been raised for respondents and the level of respondents' agreement and the result of descriptive statistics are presented in Table 4.12 as follows.

Table 4.14. Frequency and Descriptive Statistics of Risk Treatment

No	Description	Level of Agreement	Frequency Distribution		Descriptive Statistics	
			Frequency	Percent	Mean	Std. Deviation
1	In EIC, there is practice of risk treatment options developed for mitigating the risk and assessing those options, and then preparing and implementing action plans.	Strongly Disagree	4	2.5	3.08075	.90812
		Disagree	44	27.3		
		Neutral	52	32.3		
		Agree	57	35.4		
		Strongly Agree	4	2.5		
		Total	161	100.0		
2	In EIC, the highest rated risks are addressed as a matter of urgency.	Strongly Disagree	7	4.3	3.13043	1.17861
		Disagree	44	27.3		
		Neutral	48	29.8		
		Agree	53	32.9		
		Strongly Agree	7	4.3		
		Missing	2	1.2		
		Total	161	100.0		
3	The practice of selecting the most appropriate risk treatment is based on balancing the costs and benefits of implementation.	Strongly Disagree	5	3.1	3.21739	1.16563
		Disagree	41	25.5		
		Neutral	48	29.8		
		Agree	56	34.8		
		Strongly Agree	9	5.6		
		Missing	2	1.2		
		Total	161	100.0		
4	EIC's practice of risk treatment plan implementing is based on consideration of factors like organizational structure, means of financing, resource availability etc.	Strongly Disagree	4	2.5	3.15528	.93246
		Disagree	40	24.8		
		Neutral	51	31.7		
		Agree	59	36.6		
		Strongly Agree	7	4.3		
		Total	161	100.0		

Source: Survey Data Computed in SPSS, May 2020

Accordingly, respondents have been asked if there is the practice of risk treatment options developed for mitigating the risk and assessing those options, and then preparing and

implementing action plans and the result shows that about 2.5% and 35.4% of respondents are strongly agreed and agreed on the issue while 2.5% and 27.3% of respondents are strongly disagreed and disagreed. The remaining 32.3% of respondents are neutral. This indicates that 37.9% of the respondents' have agreed that there is a practice of risk treatment options developed for mitigating the risk and assessing those options and then preparing and implementing action plans. The value of standard deviation .90812 shows that there is less variability of responses and the mean value 3.08075 shows that such practice is at a moderate level.

The other issue under this topic is to assess if there is a practice of addressing the highest rated risks as a matter of urgency. In this regard, 4.3% and 32.9% of respondents are strongly agreed and agreed on the issue while 4.3% and 27.3% of respondents are strongly disagreed and disagreed. The remaining 29.8% of respondents are neutral to the issues raised. This indicates that 37.2% of the respondents' have agreed that in EIC's there is the practice of addressing the highest rated risks as a matter of urgency. The value of standard deviation 1.17861 shows that there is more variability of responses and the mean value 3.13043 shows that such practice is at a moderate level.

Respondents also have given their level of agreement on the practice of selecting the most appropriate risk treatment options and 5.6% and 34.8% of respondents are strongly agreed and agreed while 3.1% and 25.5% of respondents are strongly disagreed and disagreed that in EIC there is practice of selecting the most appropriate risk treatment is based on balancing the costs and benefits of implementation. . The remaining 29.8% of respondents are neutral to the issues raised. This indicates that 40.4% of the respondents' have agreed that in EIC's there is such practice. The value of standard deviation 1.16563 shows that there is more variability of responses and the mean value 3.21739 shows that such practice is at a moderate level.

Finally, regarding risk treatment plan implementation 4.3% and 36.6% of respondents are strongly agreed and agreed that there is a practice of risk treatment plan implementing based on consideration of factors like organizational structure, means of financing, resource availability etc. while 2.5% and 24.8% of respondents are strongly disagreed and disagreed. The remaining 31.7% of respondents are neutral to the issues raised. This indicates that 40.9% of the respondents' have agreed that in EIC's there is such practice. The value of standard deviation

.93246 shows that there is less variability of responses and the mean value 3.15528 shows that such practice is at moderate level.

Generally, the above finding also shows that the practice risk treatment in EIC is at moderate level.

6. Control Activities

In this case policies and procedures need to be established and executed to help ensure the risk responses management selects are effectively carried out. In this regard, Table 4.11. No 1 and 2 shows that in EIC if there are internal control (policies and procedures) established to check whether existing controls can address the identified risks and how effective these controls are. Concerning this, 3.7% and 23.6% of respondents are strongly agreed and agreed on the issue while 3.1% and 28% of respondents are strongly disagreed and disagreed that existing internal controls to check whether existing controls can address the identified risks and how effective these controls are. The value of standard deviation 1.00931 shows that there is more variability of responses and the mean value 3.0062 shows that the stated issue is at a moderate level.

Besides, there must be internal controls to check the current control environment after the previous risk mitigation actions are in place to analyze residual risk analysis. But, only 4.3% and 19.9% of respondents are strongly agreed and agreed on the issue while 13.7% and 15.5% of respondents are strongly disagreed and disagreed. The remaining 46.6% of respondents are neutral to the issues raised. This indicates that only 24.2% of the respondents' have agreed that in EIC's there is such practice of internal controls. The value of standard deviation 1.05416 shows that there is more variability of responses and the mean value 2.8385 shows that such practice is a moderate level.

7. Monitoring and Review

Monitoring and review is a planned part of the risk management process and involves regular checking or surveillance. The results are recorded and reported externally and internally, as appropriate. The results are also an input to the review and continuous improvement of the risk management framework. Concerning this, four questions have been asked and respondents' levels of agreement are presented in terms of frequency distribution and descriptive statistics in table 4.13.

Table 4.15. Frequency Distribution and Descriptive Statistics of Monitoring and Review

No	Description	Level of Agreement	Frequency Distribution		Descriptive Statistics	
			Frequency	Percent	Mean	Std. Deviation
1	There is key risk indicators developed to determine if the risks are increasing or decreasing and used to monitor and review risks regularly.	Strongly Disagree	3	1.9	3.3665	.87813
		Disagree	26	16.1		
		Neutral	49	30.4		
		Agree	75	46.6		
		Strongly Agree	8	5.0		
		Total	161	100.0		
2	There is practice of regularly reviewing risks identified in the corporation's risk register.	Strongly Disagree	5	3.1	3.0186	1.22715
		Disagree	53	32.9		
		Neutral	58	36.0		
		Agree	36	22.4		
		Strongly Agree	6	3.7		
		Missing	3	1.9		
		Total	161	100.0		
3	In EIC, there is practice of monitoring effectiveness and adequacy of existing controls, risk treatment plans and the process for managing their implementation.	Strongly Disagree	6	3.7	2.8634	.87676
		Disagree	53	32.9		
		Neutral	62	38.5		
		Agree	37	23.0		
		Strongly Agree	3	1.9		
		Total	161	100.0		
4	In EIC, there is practice of periodically reviewing the effectiveness of the risk management framework implemented to ensure continuous improvement of risk management.	Strongly Disagree	27	16.8	2.8137	1.35649
		Disagree	35	21.7		
		Neutral	59	36.6		
		Agree	33	20.5		
		Strongly Agree	4	2.5		
		Missing	3	1.9		
		Total	161	100.0		

Source: Survey Data Computed in SPSS, May 2020

The first question states that there are key risk indicators developed to determine if the risks are increasing or decreasing and used to monitor and review risks regularly. But, only 1.9% and 16.1% of respondents are strongly disagreed and disagreed, and 5.0% and 46.6% of respondents are strongly agreed and agreed on. The remaining 30.4% of respondents are neutral to the issues raised. This indicates that the majority (51.6%) of the respondents' have agreed that in EIC's

there is key risk indicators developed. The value of standard deviation .87813 shows that there is less variability of responses and the mean value 3.3665 shows that such practice is at a moderate level.

Second, identified risk needs to be regularly reviewed but only 3.7% and 22.4% of respondents strongly agreed and agreed that there is the practice of regularly reviewing risks identified while 3.1% and 32.9% of respondents are strongly disagreed and disagreed. The remaining 36% of respondents are neutral to the issues raised. This indicates that only 26.1% of the respondents' have agreed that the identified risks are periodically reviewed. The value of standard deviation 1.22715 shows that there is more variability of responses and the mean value 3.0186 shows that such practice is at a moderate level.

The third issue in this topic is that assessing the practice of monitoring effectiveness and adequacy of existing controls, risk treatment plans, and the process for managing their implementation. In this regard, 1.9% and 23% of respondents are strongly agreed and agreed that there is such practice and about 3.7% and 32.9% of respondents are strongly disagreed and disagreed. The remaining 38.5% of respondents are neutral. This indicates that only 25.2% of the respondents' have agreed that the effectiveness and adequacy of existing controls, risk treatment plans, and the process for managing their implementation are monitored. The value of standard deviation .87676 shows that there is less variability of responses and the mean value 2.8634 shows that such practice is at a moderate level.

Fourthly, to make ERM more effective, EIC also needs to periodically review the effectiveness of the risk management framework implemented to ensure continuous improvement of risk management. However, 2.5% and 20.5% of respondents are strongly agreed and agreed that there is such practice while about 16.8% and 21.7% of respondents are strongly disagreed and disagreed. The remaining 36.6% of respondents are neutral. This indicates that only 23% of the respondents' have agreed that in EIC there is the practice of periodically reviewing the effectiveness of the risk management framework implemented to ensure continuous improvement of risk management.. The value of standard deviation 1.35649 shows that there is more variability of responses and the mean value 2.8137 shows that such practice is at a moderate level.

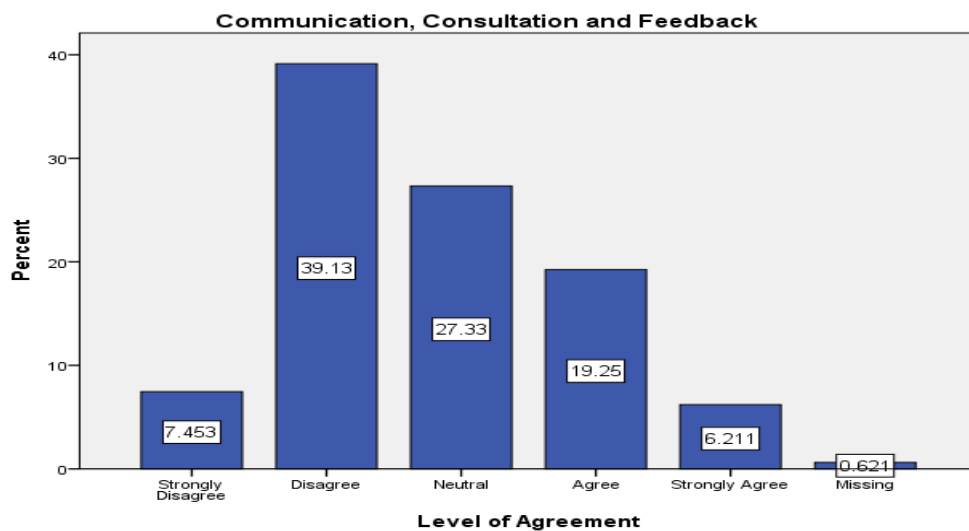
Generally, the above finding implies that the level of practice risk monitoring and review in EIC is moderate.

8. *Communication and Consultation*

The other key process step of risk management is communication and consultation. Under this topic, two important questions have been raised for respondents and the agreement level of respondents are shown in figure 4.6 and 4.7 as follow.

One of the issues is that communication, consultation and feedback need to take place during all steps of the risk management process. 6.21% and 19.25% of respondents are strongly agreed and agreed that there is such practice in EIC while about 17.45% and 39.13% of respondents are strongly disagreed and disagreed. The rest 27.33% of respondents are neutral. This shows that only 25.46% of the respondents' have agreed that in EIC there is communication, consultation and feedback during all steps of the risk management process. The value of standard deviation 1.15220 shows that there is more variability of responses and the mean value 2.8137 shows that such practice is at a moderate level.

Figure 4.7. Response on Communication, Consultation and Feedback

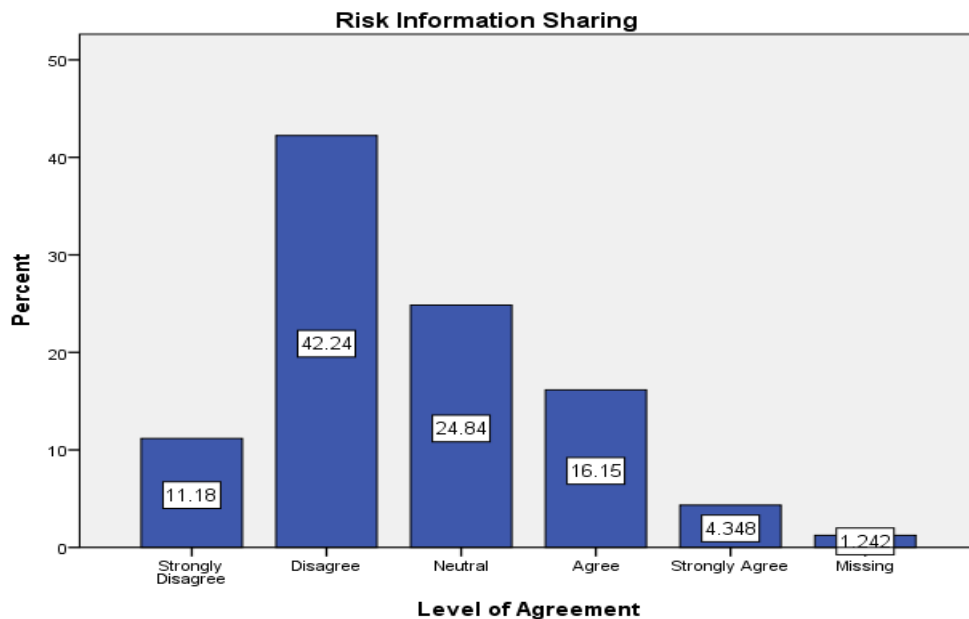


Source: Survey Data Computed in SPSS, May 2020

The second issue is that there is an effective sharing of risk information in all directions (up, down and across) of the corporation to create a common understanding and make an informed decision by management. On this issue, 4.35% and 16.15% of respondents are strongly agreed

and agreed that risk information is shared across the corporation while about 11.18% and 42.24% of respondents are strongly disagreed and disagreed on the issues raised. The rest 24.84% of respondents are neutral. This means that only 20.5% of the respondents' have agreed that in EIC there is the practice of risk information is sharing in all directions. The value of standard deviation 1.24801 shows that there is a high variability of responses and the mean value 2.6770 shows that such practice is at a moderate level.

Figure 4.8. Response on Risk Information Sharing



Source: Survey Data Computed in SPSS, May 2020

Generally, the above finding implies that the level of risk monitoring and review practice in EIC is moderate.

Therefore, all of the above findings imply that there is limited practice of the eight process steps of risk management; internal and external context establishment, objective setting, risk identification, risk assessment, risk treatment, control activities, monitoring and review and communication and consultation.

Table 4.16. Summary of Descriptive Statistics of Risk Management Process

No.	Risk Management Process	Descriptive Statistics				
		N	Minimum	Maximum	Mean	Std. Deviation
	Internal Environment					
1	EIC has understood the philosophy and approach to risk management and acknowledged as a critically important function.	161	1.00	5.00	3.0435	.93105
2	EIC's major internal and external sources of risks that have to be considered in risk management are properly identified and documented.	161	1.00	5.00	3.1429	.88641
3	EIC's internal and external factors that will either enhance or inhibit the corporation's ability to attain each strategic objective are identified.	161	1.00	5.00	3.2422	.92720
4	EIC has well established risk appetite and tolerance level for inherent risks that are facing.	161	1.00	5.00	3.2919	.87063
5	There is clear structure, allocation of responsibility and accountability and disciplines for effective implementation of risk management.	161	1.00	5.00	3.0124	.95517
6	EIC has established policy and processes, applying risk management that helps to maximize the opportunities and minimize threats.	161	1.00	5.00	3.4720	.83712
7	All necessary resources and infrastructures are allocated across the corporation for effective implementation of risk management.	161	1.00	5.00	2.7391	.88404
8	Employees assigned to manage aggregate risks of the corporation have the knowledge and ability of enterprise risk management.	161	1.00	5.00	3.2236	.96161
9	EIC has clearly set risk management objectives.	161	1.00	9.00	3.5466	1.08944
10	EIC's risk management objective setting considers the vision, mission, values and strategic objectives of the corporation.	161	1.00	9.00	3.6522	.96346

No.	Risk Management Process	Descriptive Statistics				
		N	Minimum	Maximum	Mean	Std. Deviation
	Risk Identification					
1	In EIC, there is regular identification of risks having a negative impact (threats) and positive impact (opportunities) on strategic objectives.	161	1.00	5.00	3.3106	.93699
2	In EIC's, there are ongoing risk identification ways where any staff member can identify and raise risks around its activities and report.	161	1.00	9.00	2.7640	1.01560
3	In EIC, risk identification is the responsibility of every employee of the corporation at all levels at their respective work areas.	161	1.00	5.00	2.7143	1.25214
4	EIC is using different methods of risk identification as appropriate that include questionnaires, brainstorming, data review, environmental scanning etc.	161	1.00	9.00	3.0311	1.13149
5	The identified risks are list with the associated causes, likelihood and potential consequences and documented in a risk register.	161	1.00	9.00	3.0248	1.00592
	Risk Assessment – Risk Analysis & Risk Evaluation					
1	EIC has well developed qualitative and/or quantitative risk assessment criteria used to assess, based on frequency, impact and risk rating.	161	1.00	5.00	2.9006	.90970
2	EIC's inherent risks are analyzed based on the likelihood and consequences of risk event.	161	1.00	9.00	3.2484	.96845
3	In EIC, there is a practice of identifying and evaluation of existing internal controls to check whether existing controls can address the identified risks and how effective are these controls.	161	1.00	9.00	3.0062	1.00931
4	Always there is residual risk analysis to check if it were to occur in the current control environment after risk mitigation actions are in place.	161	1.00	5.00	2.8385	1.05416

No.	Risk Management Process	Descriptive Statistics				
		N	Minimum	Maximum	Mean	Std. Deviation
5	The practice in EIC shows that after risk assessment is conducted risks are prioritized according their severity for risk treatment.	161	1.00	9.00	3.4348	1.08848
	Risk Treatment					
1	In EIC, there is practice of risk treatment options developed for mitigating the risk and assessing those options, and then preparing and implementing action plans.	161	1.00	5.00	3.0807	.90812
2	In EIC, the highest rated risks are addressed as a matter of urgency.	161	1.00	9.00	3.1304	1.17861
3	The practice of selecting the most appropriate risk treatment is based on balancing the costs and benefits of implementation.	161	1.00	9.00	3.2174	1.16563
4	EIC's practice of risk treatment plan implementing is based on consideration of factors like organizational structure, means of financing, resource availability etc.	161	1.00	5.00	3.1553	.93246
	Monitoring and Review					
1	There is key risk indicators developed to determine if the risks are increasing or decreasing and used to monitor and review risks regularly.	161	1.00	5.00	3.3665	.87813
2	There is practice of regularly reviewing risks identified in the corporation's risk register.	161	1.00	9.00	3.0186	1.22715
3	In EIC, there is practice of monitoring effectiveness and adequacy of existing controls, risk treatment plans and the process for managing their implementation.	161	1.00	5.00	2.8634	.87676
4	In EIC, there is practice of periodically reviewing the effectiveness of the risk management framework implemented to ensure continuous improvement of risk management.	161	1.00	9.00	2.8137	1.35649

No.	Risk Management Process	Descriptive Statistics				
		N	Minimum	Maximum	Mean	Std. Deviation
	Communication and Consultation					
1	Communication, consultation and feedback are taking place during all steps of risk management process.	161	1.00	9.00	2.8137	1.15220
2	There is effective sharing of risk information in all directions (up, down and across) of the corporation.	161	1.00	9.00	2.6770	1.24801

Source: Survey Data Computed in SPSS, May 2020

4.6.4. Benefits of Enterprise Risk Management to EIC

If EIC implements effective ERM it can realize many benefits. To assess the benefit EIC is getting from ERM about five statements have been provided for respondents and they have given their level of agreement on each one of them as it can be seen from table 4.15.

The first issue is that EIC is increasing the range of new business opportunities due to ERM implementation by enabling management to identify new business opportunities and related challenges by considering both positive and negative aspects of risk. 3.4% and 33.5% of respondents are strongly agreed and agreed and about 4.3% and 29.2% of respondents are strongly disagreed and disagreed on the issues raised. The remaining 28.6% of respondents are neutral. This shows that 36.9% of the respondents' have agreed that EIC is increasing the range of new business opportunities due to ERM implementation. The value of standard deviation 0.98962 shows that there is less variability of responses and the mean value 3.04348 indicates that EIC is getting such benefit at a moderate level.

The second benefit of ERM is that it enables the organization to identify and manage organization-wide risk. It needs to support the management to identify the sources of risks and the diverse impacts that are created by them in order to sustain and improve the performances across the corporation. In this regard, 15.5% and 34.8% of respondents are strongly agreed and agreed on while about 3.1% and 15.5% of respondents are strongly disagreed and disagreed on the issues raised. The other 31.1% of respondents are neutral. This indicates that the majority (50.3%) of the respondents' have agreed that ERM is enabling the corporation to identify and manage organization-wide risk. The value of standard deviation 1.02983 shows that there is more variability of responses and the mean value 3.44099 indicates that EIC is getting such benefit at a moderate level.

The third benefit of ERM is increasing positive outcomes and advantages while reducing negative surprises. It effectively facilitates the corporation to improve its abilities to identify risk and establish appropriate solutions, getting ready for facing shocks and surprises that will make unbearable losses. In this regard, 3.7% and 41% of respondents are strongly agreed and agreed that EIC's ERM is increasing positive outcomes and advantages while reducing negative surprises.

Table 4.17. Frequency Distribution and Descriptive Statistics of Benefits of ERM to EIC

No	Description	Level of Agreement	Frequency Distribution		Descriptive Statistics	
			Frequency	Percent	Mean	Std. Deviation
1	Increasing the range of new business opportunities: EIC's enterprise risk management is enabling management to identify new business opportunities and related challenges by considering both positive and negative aspects of risk.	Strongly Disagree	7	4.3	3.04348	0.98962
		Disagree	47	29.2		
		Neutral	46	28.6		
		Agree	54	33.5		
		Strongly Agree	7	4.3		
		Total	161	100.0		
2	Identifying and managing organization wide risk: EIC's enterprise risk management supports the management to identify the sources of risks and the diverse impacts that are created by them in order to sustain and improve the performances across the corporation.	Strongly Disagree	5	3.1	3.44099	1.02983
		Disagree	25	15.5		
		Neutral	50	31.1		
		Agree	56	34.8		
		Strongly Agree	25	15.5		
		Total	161	100.0		
3	Increasing positive outcomes and advantages while reducing negative surprises: EIC's enterprise risk management effectively facilitating the corporation to improve its abilities of identifying risk and establishing appropriate solutions, getting ready for facing shocks and surprises that will make unbearable losses.	Strongly Disagree	2	1.2	3.29814	0.82798
		Disagree	26	16.1		
		Neutral	61	37.9		
		Agree	66	41.0		
		Strongly Agree	6	3.7		
		Total	161	100.0		
4	Reducing performance variability: EIC's enterprise risk management supports the corporation to anticipate the targets accurately by enabling the corporation to put forward proper actions required to minimize the disruptions of not achieving expected and utilizing the achieved over targets through proper contingency action plans on managing overall need of resources, prioritizing resource deployment and enhancing resource allocation effectively.	Strongly Disagree	2	1.2	3.35404	0.86898
		Disagree	26	16.1		
		Neutral	56	34.8		
		Agree	67	41.6		
		Strongly Agree	10	6.2		
		Total	161	100.0		
5	Enhancing enterprise resilience: EIC's enterprise risk management supports the corporation to anticipate the targets accurately by enabling the corporation to put forward proper actions required to minimize the disruptions of not achieving expected and utilizing the achieved over targets through proper contingency action plans on managing overall need of resources, prioritizing resource deployment and enhancing resource allocation effectively.	Strongly Disagree	3	1.9	3.01242	0.90130
		Disagree	49	30.4		
		Neutral	58	36.0		
		Agree	45	28.0		
		Strongly Agree	6	3.7		
		Total	161	100.0		

Source: Survey Data Computed in SPSS, May 2020

On the other side, only 1.2% and 16.1% of respondents are strongly disagreed and disagreed on the benefit. The remaining 37.9% of respondents are neutral. This indicates that 43.7% of the respondents' have agreed that the practice of ERM is increasing positive outcomes and advantages while reducing negative surprises. The value of standard deviation 0.82798 shows that there is less variability of responses and the mean value 3.29814 indicates that EIC is getting such benefit at a moderate level.

The fourth benefit EIC is expected to get from ERM implementation is that it enables to reduce performance variability. EIC's enterprise risk management needs to support the corporation to anticipate the targets accurately by enabling the corporation to put forward proper actions required to minimize the disruptions of not achieving expected and utilizing the achieved over targets through proper contingency action plans on managing overall need of resources, prioritizing resource deployment and enhancing resource allocation effectively. In this regard, only 1.2% and 16.1% of respondents are strongly disagreed and disagreed that ERM implementation is reducing performance variability while the other 6.2% and 41.6% of respondents are strongly agreed and agreed on the benefit. The remaining 34.8% of respondents are neutral. This indicates that 47.8% of the respondents' have agreed that ERM is enabling the corporation to reduce performance variability. The value of standard deviation 0.86898 shows that there is less variability of responses and the mean value 3.35404 shows that EIC is getting such benefit at a moderate level.

The fifth but not last benefit of ERM implementation is enhancing enterprise resilience. EIC's enterprise risk management needs to support the corporation to anticipate the targets accurately by enabling the corporation to put forward proper actions required to minimize the disruptions of not achieving expected and utilizing the achieved over targets through proper contingency action plans on managing overall need of resources, prioritizing resource deployment and enhancing resource allocation effectively. Likewise, 3.7% and 28% of respondents are strongly agreed and agreed on while about 1.9% and 30.4% of respondents are strongly disagreed and disagreed on this benefit. The rest 36% of respondents are neutral. This indicates that only 31.7 of the respondents' have agreed that ERM is enhancing enterprise resilience. The value of standard deviation 0.90130 shows that there is less variability of responses and the mean value 3.01242 indicates that EIC is getting such benefit at a moderate level.

Generally, the overall findings stated above imply that even though the successful implementation of ERM can realize many benefits for the company, under the current practice of ERM, EIC is getting a moderate level of ERM benefits.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

This study aimed to assess the practice of enterprise risk management in EIC and this chapter presents a summary of major findings, conclusions drawn from findings, and the recommendations. The implications of the study are discussed and suggestions are made on areas that require further study. In addition to these, the contribution to the body of knowledge is also presented in this chapter.

5.1. Summary of Findings

This section contains summary of the main points and major findings that were obtained from the data analysis of the questionnaire. This project paper was conducted through questionnaire data intended to collect from 169 employees of EIC and the response rate was 95.27%. Therefore, 161 sampled respondents were considered for the data analysis. The major findings from the study are summarized as follows.

- ☞ The demographic characteristics of respondents indicate that out of 161 employees who were participated in this study, most of the respondents were 116(72%) males, 98(60.9%) are first degree holders, 97(60.2%) have above 10 years work experience and 97(60.2%) are employees working at managerial levels.

From the perspective of Board and Top Management level of Commitment and Support to ERM;

- ☞ There is a limitation on Board level and Deputy CEOs Commitment and Support.
- ☞ The Commitment and Support of CEO and Risk Management Director is high.
- ☞ The level of Commitment and Support that the Audit and Risk Committees through which Board oversight the level of operational and technical risks is moderate.
- ☞ There is some limitation on the Board of management to regularly oversight the corporate risk management planning and operations and ensures its effectiveness to give sound decisions.

- ☞ There is a moderate level of willingness or readiness to ensure an effective enterprise-wide approach to managing risks.
- ☞ The board and top management members have limited knowledge and experience of enterprise risk management.

From the perspective of ERM integration with Strategy and Performance

- ☞ There are some limitations on the integration of risk management systems and programs into governance, strategic planning, budgeting, and reporting and management processes.
- ☞ There is a moderate level of risk management framework that considers all risks of the corporation which include strategic, insurance, financial, operational, and compliance risks.
- ☞ There is a moderate level of an organizational culture where risks are appropriately identified, assessed, managed, and communicated.
- ☞ Risk management activities are not well integrated with main business processes and management controls at all levels and become part of all management responsibility.
- ☞ The corporation's PMS doesn't consider risk management efforts.

From the perspective Risk Management Process;

- ☞ To some extent the corporation has defined the level of risk appetite and tolerance for inherent risk management.
- ☞ There are some limitations regarding the structure, allocation of responsibility and accountability for effective implementation of risk management.
- ☞ The company has its own risk management policy and procedure that helps to maximize the opportunities and minimize threats.
- ☞ The corporation has risk management objectives but there are some limitations that these objectives consider the vision, mission, values, and strategic objectives of the corporation.

- ☞ There is regular identification, analysis, and reporting of inherent risks having a negative impact (threats) and positive impact (opportunities) on strategic objectives.
- ☞ Risk identification is not considered as the responsibility of every employee of the corporation at all levels within their respective work areas.
- ☞ There are some limitations to the development of qualitative and/or quantitative risk assessment criteria.
- ☞ The practice of residual risk analysis to check if it were to occur in the current control environment after risk mitigation actions are in place is limited.
- ☞ There are some limitations on the practice of addressing the highest rated risks as a matter of urgency through cost and benefit analysis and proper risk management action plans.
- ☞ Regarding monitoring and review, there is limited practice of monitoring effectiveness and adequacy of existing controls, risk treatment plans and reviewing the effectiveness of the risk management framework implemented to ensure continuous improvement of risk management.
- ☞ There is limited practice of risk information sharing in all directions and communication, consultation and feedback are not taking place during all steps of the risk management process.

Regarding the Benefits of ERM;

- ☞ To some extent the practice of ERM is increasing positive outcomes and advantages while reducing negative surprises, enabling to increase the range of new business opportunities and reducing performance variability. However, the relationship between the practice of ERM and Performance needs further study.
- ☞ Generally, in all components of ERM, there is a large number of respondents who were neutral to their level of agreement.

5.2. Conclusions

From the findings of the study, it can be concluded that there are limited commitment and support of Board and top management applied in strategy setting and across the corporation, designed to identify potential events that may affect the company, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of organizational objectives and these needs to be improved.

Regarding ERM integration with strategy and performance, ERM is not well integrated strategy and performance management system of the company in a way that offers a framework for board oversight and achievement of strategic objectives.

Though the context of risk management is established to some extent, there is an absence of continuous risk identification, assessment, risk treatment, monitoring and review. In addition, there are problems with risk management communication implying that there are limitations in the overall risk management process implementation. The corporation hasn't implemented the best practice of the ERM framework.

Due to the above reasons, it can also be concluded that the benefits EIC is getting from ERM implementation are limited and needs further investigation. Finally, Both management and non-management members have no common understanding of the ERM.

5.3. Recommendations

Based on the findings of the study and conclusions drawn, the following recommendations are proposed:

- ☞ Appropriate and extensive ERM training must be regularly given to all Board, top management, and other cornered management and non-management members so that everyone who is responsible for effective enterprise risk management will be equipped with the knowledge required and have a common understanding and become committed and supportive to ERM.
- ☞ During strategy formulation, ERM must be integrated with the strategy and performance management system of the corporation by considering ERM as one of the key functions of the corporation.
- ☞ Employees who are assigned to ERM need to have adequate knowledge and competency of ERM. So, it needs to assign only those employees who fit the requirement and even their knowledge must be continuously developed through appropriate risk management pieces of training applicable for the insurance company.
- ☞ To implement a continuous risk management process and earn its benefits, the corporation needs to adopt and implement the best ERM framework applicable to the insurance company and the context of the corporation.

5.4. Future Study Directions

In studying the practice of ERM, the study addressed the stated objective by employing descriptive statistical method of analyses and trying strictly following the research methodology. Hence, this study addressed the basic research problems, draws conclusion and forward actionable recommendations. However, to achieve the maximum result out of the study, it would have been better if it had been studied in comparison with the other 16 private insurance companies. But the time constraint brings a burden to limit this study just on a single company.

In addition to this, it would have been better if “the impact of ERM” is studied to know the benefit of ERM that the organization is actually getting.

5.5. Limitations of the Study

- Due to very short time given to conduct the study, there was limitation of time to intensely review different related literatures that will be useful and only dependent on quantitative data.
- There were some limitations in the process of data collection. Though most respondents were kind enough to fill and return questionnaires on time, there was a mild level of constraint on behalf of some to return questionnaires on time.
- Regarding the context of the study, the study is undertaken on EIC. Therefore, caution should be taken to generalizing the results of this project paper.

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APPENDICES

Appendix 1: Questionnaire



**Addis Ababa University
College of Business and Economics
Department of Business Leadership
MBL Program**

This questionnaire is designed to collect information regarding the practice of enterprise risk management practices in Ethiopian Insurance Corporation (EIC), which will be used as a primary data in my project entitled *“Assessment of Enterprise Risk Management Practice; the case of EIC”*, which I am conducting as a partial fulfillment for the requirement of my study in Masters of Business Leadership (MBL) at Addis Ababa University.

The questionnaire is distributed to selected EIC employees and you have been selected as a valuable participant for this study. No need to mention your name and the information you provide will be used only for academic purpose and will be kept confidential. In order for the study to yield valid results, it is important that you answer all questions prudently.

For more information, you can contact at any time needed through my address; Mobile: +251910348389, E-mail: sinshawdamena@gmail.com and outlook address: Sinshaw Damena.

I would like to thank you for your willingness to participate in this study.

Instructions: Please use this “✓” mark for each question to indicate your response.

Part One: Background Information

1. Your Gender: Male ☐ Female ☐
2. What is Your Level of Education: Diploma ☐ Bachelor Degree ☐
Master's Degree ☐ PHD ☐
3. How long have you been in EIC (Work Experience)? (in Years)
< 5 ☐ 5-10 ☐ above 10 Years ☐
4. What is your work position? Managerial ☐ Non-managerial ☐

Part Two: ERM Information

Please express your level of agreement by making “✓” symbol in the space provided, based on the descriptions. (5)SD=Strongly Agree, (4)A= Agree (3)N=Neutral (2)D=Disagree (1)SD=Strongly Disagree						
No.	Descriptions	Level of Agreement				
		(5)SA	(4)A	(3)N	(2)D	(1)SD
A. Board and Top Management Commitment and Support to Enterprise Risk Management						
1.	The following management members are committed and supportive for proactive risk management to enhance EIC’s business operations as one organization rather than as a group of individual units;					
	1.1.Board					
	1.2.CEO					
	1.3.Deputy CEOs					
	1.4.Risk Management Director					
	1.5.Audit Committee					
	1.6.Risk Committee					
	1.7.Management members other than the above.					
2.	The Board regularly oversees the enterprise risk management planning and operations and ensures its effectiveness to give sound decision.					
3.	EIC’s board and all management members have appropriate knowledge and experience of enterprise risk management to set the right tone/support.					
4.	In EIC, there is willingness to start somewhere to ensure an effective enterprise wide approach to managing risk.					
B. Enterprise Risk Management Integration with Strategy and Performance						
1.	Risk management system and programs are integrated into governance, strategic planning, budgeting, reporting and management processes of the corporation’s core and support businesses.					
2.	Risk management system and programs are communicated into the corporation’s core and support businesses.					
3.	EIC’s risk management framework considers all risks of the corporation including strategic, insurance, financial, operational and compliance risks.					

Please express your level of agreement by making “✓” symbol in the space provided, based on the descriptions.

(5)SD=Strongly Agree, (4)A= Agree (3)N=Neutral (2)D=Disagree (1)SD=Strongly Disagree

No.	Descriptions	Level of Agreement				
		(5)SA	(4)A	(3)N	(2)D	(1)SD
4.	Risk management activities are integrated with main business processes and management controls at all levels and become part of all management responsibility.					
5.	EIC has organizational culture where risks are appropriately identified, assessed, communicated and managed.					
6.	There are formal mechanisms established to review and monitor effectiveness of risk management throughout the corporation.					
7.	EIC's performance management system considers risk management efforts.					
C. Risk Management Process						
	Internal and External Environment					
1.	EIC has understood the philosophy and approach to risk management and acknowledged as a critically important function.					
2.	EIC's major internal and external sources of risks that have to be considered in risk management are properly identified and documented.					
3.	EIC's internal and external factors that will either enhance or inhibit the corporation's ability to attain each strategic objective are identified.					
4.	EIC has well established risk appetite and tolerance level for inherent risks that are facing.					
5.	There is clear structure, allocation of responsibility and accountability and disciplines for effective implementation of risk management.					
6.	EIC has established policy and processes, applying risk management that helps to maximize the opportunities and minimize threats.					
7.	All necessary resources and infrastructures are allocated across the corporation for effective implementation of risk management.					
8.	Employees assigned to manage aggregate risks of the corporation have the knowledge and ability of enterprise risk management.					
9.	EIC has clearly set risk management objectives.					

Please express your level of agreement by making “✓” symbol in the space provided, based on the descriptions.

(5)SD=Strongly Agree, (4)A= Agree (3)N=Neutral (2)D=Disagree (1)SD=Strongly Disagree

No.	Descriptions	Level of Agreement				
		(5)SA	(4)A	(3)N	(2)D	(1)SD
10.	EIC’s risk management objective setting considers the vision, mission, values and strategic objectives of the corporation.					
	Risk Identification					
1.	In EIC, there is regular identification of risks having a negative impact (threats) and positive impact (opportunities) on strategic objectives.					
2.	In EIC’s, there are ongoing risk identification ways where any staff member can identify and raise risks around its activities and report.					
3.	In EIC, risk identification is the responsibility of every employee of the corporation at all levels at their respective work areas.					
4.	EIC is using different methods of risk identification as appropriate that include questionnaires, brainstorming, data review, environmental scanning etc.					
5.	The identified risks are list with the associated causes, likelihood and potential consequences and documented in a risk register.					
	Risk Assessment – Risk Analysis & Risk Evaluation					
1.	EIC has well developed qualitative and/or quantitative risk assessment criteria used to assess, based on frequency, impact and risk rating.					
2.	EIC’s inherent risks are analyzed based on the likelihood and consequences of risk event.					
3.	In EIC, there is a practice of identifying and evaluation of existing internal controls to check whether existing controls can address the identified risks and how effective are these controls.					
4.	Always there is residual risk analysis to check if it were to occur in the current control environment after risk mitigation actions are in place.					
5.	The practice in EIC shows that after risk assessment is conducted risks are prioritized according their severity for risk treatment.					

Please express your level of agreement by making “✓” symbol in the space provided, based on the descriptions.

(5)SD=Strongly Agree, (4)A= Agree (3)N=Neutral (2)D=Disagree (1)SD=Strongly Disagree

No.	Descriptions	Level of Agreement				
		(5)SA	(4)A	(3)N	(2)D	(1)SD
	Risk Treatment					
1.	In EIC, there is practice of risk treatment options developed for mitigating the risk and assessing those options, and then preparing and implementing action plans.					
2.	In EIC, the highest rated risks are addressed as a matter of urgency.					
3.	The practice of selecting the most appropriate risk treatment is based on balancing the costs and benefits of implementation.					
4.	EIC's practice of risk treatment plan implementing is based on consideration of factors like organizational structure, means of financing, resource availability etc.					
	Monitoring and Review					
1.	There is key risk indicators developed to determine if the risks are increasing or decreasing and used to monitor and review risks regularly.					
2.	There is practice of regularly reviewing risks identified in the corporation's risk register.					
3.	In EIC, there is practice of monitoring effectiveness and adequacy of existing controls, risk treatment plans and the process for managing their implementation.					
4.	In EIC, there is practice of periodically reviewing the effectiveness of the risk management framework implemented to ensure continuous improvement of risk management.					
	Communication and Consultation					
1.	Communication, consultation and feedback are taking place during all steps of risk management process.					
2.	There is effective sharing of risk information in all directions (up, down and across) of the corporation.					
	D. Benefits of Enterprise Risk Management					
1.	EIC's enterprise risk management is enabling management to identify new business opportunities and related challenges by considering both positive and negative aspects of risk.					

Please express your level of agreement by making “✓” symbol in the space provided, based on the descriptions.

(5)SD=Strongly Agree, (4)A= Agree (3)N=Neutral (2)D=Disagree (1)SD=Strongly Disagree

No.	Descriptions	Level of Agreement				
		(5)SA	(4)A	(3)N	(2)D	(1)SD
2.	EIC's enterprise risk management supports the management to identify the sources of risks and the diverse impacts that are created by them in order to sustain and improve the performances across the corporation.					
3.	EIC's enterprise risk management effectively facilitating the corporation to improve its abilities of identifying risk and establishing appropriate solutions, getting ready for facing shocks and surprises that will make unbearable losses.					
4.	EIC's enterprise risk management supports to anticipate the targets accurately.					
5.	EIC's enterprise risk management providing the platform for the corporation to accurately anticipating the future changes and ability of planning how the corporation is responding to these changes for the survival and thriving the business into success.					

Appendix 2: Sample size determination

Required Sample Size [†]								
Population Size	Confidence = 95%				Confidence = 99%			
	Margin of Error				Margin of Error			
	5.0%	3.5%	2.5%	1.0%	5.0%	3.5%	2.5%	1.0%
10	10	10	10	10	10	10	10	10
20	19	20	20	20	19	20	20	20
30	28	29	29	30	29	29	30	30
50	44	47	48	50	47	48	49	50
75	63	69	72	74	67	71	73	75
100	80	89	94	99	87	93	96	99
150	108	126	137	148	122	135	142	149
200	132	160	177	196	154	174	186	198
250	152	190	215	244	182	211	229	246
300	169	217	251	291	207	246	270	295
400	196	265	318	384	250	309	348	391
500	217	306	377	475	285	365	421	485
600	234	340	432	565	315	416	490	579
700	248	370	481	653	341	462	554	672
800	260	396	526	739	363	503	615	763
1,000	278	440	606	906	399	575	727	943
1,200	291	474	674	1067	427	636	827	1119
1,500	306	515	759	1297	460	712	959	1376
2,000	322	563	869	1655	498	808	1141	1785
2,500	333	597	952	1984	524	879	1288	2173
3,500	346	641	1068	2565	558	977	1510	2890
5,000	357	678	1176	3288	586	1066	1734	3842
7,500	365	710	1275	4211	610	1147	1960	5165
10,000	370	727	1332	4899	622	1193	2098	6239
25,000	378	760	1448	6939	646	1285	2399	9972
50,000	381	772	1491	8056	655	1318	2520	12455
75,000	382	776	1506	8514	658	1330	2563	13583
100,000	383	778	1513	8762	659	1336	2585	14227
250,000	384	782	1527	9248	662	1347	2626	15555
500,000	384	783	1532	9423	663	1350	2640	16055
1,000,000	384	783	1534	9512	663	1352	2647	16317
2,500,000	384	784	1536	9567	663	1353	2651	16478
10,000,000	384	784	1536	9594	663	1354	2653	16560
100,000,000	384	784	1537	9603	663	1354	2654	16584
300,000,000	384	784	1537	9603	663	1354	2654	16586

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Source: Formula by Krejcie & Morgan 1970